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№ 41 OCTOBER 1992

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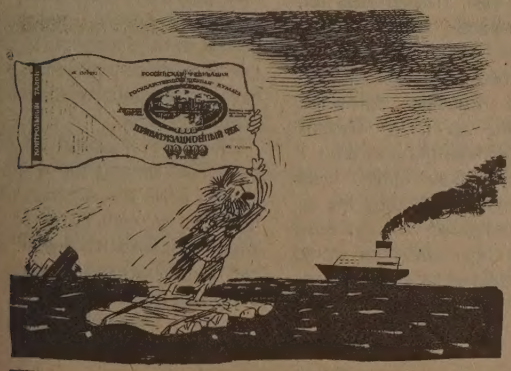

Drawing by V. Mochalov

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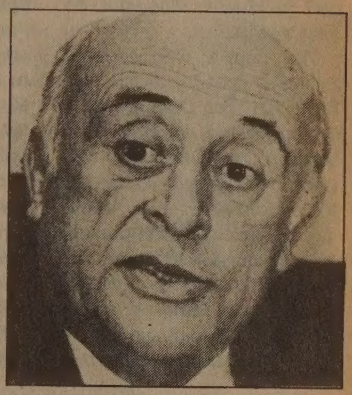

Demirel, who at the age of 68 has for the seventh time become head of Turkey's government, considers that Russian-Turkish partnership is of top priority in the foreign affairs of his country

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Cover photo by Yevgeny Stetsko

They did cause harm

The First International Festival dedicated to Andrei Sakharov has closed in Nizhny Novgorod. Sakharov's name attracted famous musicians from around the world to this city on the Volga River.

However, perplexity could be seen in the faces of many guests – a Sakharov festival in Nizhny Novgorod?

This city was a place of exile in the 19th century; it became the place where Andrei Sakharov was not so long ago exiled.

The people who tortured Sakharov prosper to this day. Physician Oleg Obukhov who, on the order of the prison authorities, fed Sakharov, who was on hunger strike, by force, tormented him, violating a physician's first precept "not to cause harm," remains a physician and is a deputy to the local Soviet. It's sacrilegious to entice people to this city, using Sakharov's name as long as persons of that sort decide its destiny.

On his graduation in 1942, Andrei Sakharov worked in the city of Kovrov, not far from Nizhny Novgorod. Wouldn't it have been better to hold the Festival there and thus help revive this old Russian city?

B. Kleshchenko
Moscow

"A Soviet German" sounds glorious

I can't understand why the creation of humane living conditions for ethnic Germans, who have lived in Russia for ages, has turned out to be an insoluble problem. Many of these people have left the country forever, unable to endure humiliation and insult. Now President Leonid Kravchuk of Ukraine throws a ring-buoy to those who have stayed, but this seems to be done without consulting the Crimean Autonomous Republic of the Tatars. Where is the guarantee that the bitter lessons of the past won't be repeated in the future?

I can't help recalling the speech Brezhnev made before journalists: "We are now making efforts to settle the issue of the Nechernozemie Region which is as big as England, France and West Germany all put together." This project has hardly made any progress since those times, and there is very little hope that anything will be done in the future, given the present attitude towards the peasantry. All this is quite deplorable.

S. Naginenis
Lithuania

Happy is he who dies in time

In my opinion, these words have a special meaning to our countrymen. If many of our idols hadn't gone in time, God knows what would have become of them. Gorky, Mayakovsky and many others could have been declared "people's enemies" and have perished in the Gulag.

On the other hand, when well-known people go in time, they retain our sympathies.

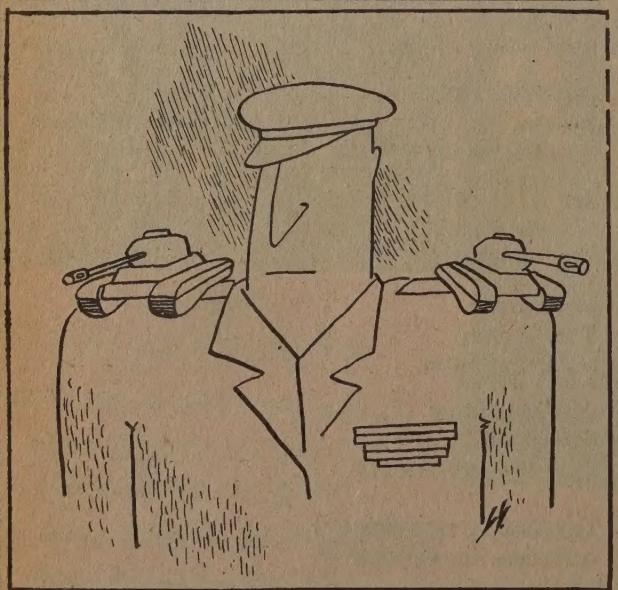
The whole world adored Mikhail Gorbachev at the start of *perestroika*...

The number of idols dwindle as time goes by, and some of them have even become commi-fascists today.

If Nikolai Travkin had left the political scene before 1990, we would have remembered him as a slim and attractive Russian democrat. Sorrowful as it is, Vladimir Vysotsky was gone in time. If Stanislav Govorukhin were gone immediately after the release of his film *To Live Such Life Is Impossible*, he would be compared to Vladimir Vysotsky.

L. Zakirov
Kazan

THE WAY I SEE IT



Drawing by Leonid Vorobyov

Anti-Semites should be thrown in cage!

I liked the article by Leonid Alayev "On National Pride of Great Russians and Others" (No. 18/92).

The Russian authorities must do all in their power so that small nationalities feel comfortable in Russia. Russia's State system must be heterogenous – a federation for the Russian regions and a confederation for autonomies.

If somebody like Zhirinovsky or anyone from Pamyat society comes to power, the Russians will be ordered to restore the empire, marching belly-deep in their own blood. There will be war all over the country. "Patriots" will start shooting democrats, communists, members of other parties and, naturally, the Jews, calling them Russia's enemies. Besides, anyone at all can be declared a Jew and shot on these grounds with clear conscience.

I guess it would be much safer for our Russia if all these Pamyat-men would land in prison on the grounds of anti-Semitism and the threat to physically do away with those whom they don't like.

Shamarenko
Sakhalin

Fear makes one blind

"I see no great obstacles to foreign investors entering the Russian market. Many countries present certain risks for foreign investors; naturally, Russia is no exception to the rule. But we see that Russia has tremendous potential, and this justifies the risk.

Given that Russian oil deposits are among the world's largest while the American oil business is very dynamic, a wider cooperation between the two countries seems extremely important and promising.

Abraham Topman
Ancoridge,
Alaska

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Boris Yeltsin is ready for a compromise, ready to combine the incompatible

As of late, when relations between President Yeltsin and most parliamentary factions have become rather strained, he no longer appears in the Supreme Soviet as often as in his days of glory. This only enhances the public's interest when he makes an appearance. Therefore, it only stands to good reason that the speech of the President on October 6 was anticipated with an air of excitement. The country is at a crossroads, so to speak. The reforms carried out by the Cabinet have reached a critical point. What direction will the government take in the immediate future? Will it push forward market-oriented reforms, as demanded by some, or retreat as others insist on? Or, perhaps, there will be a pause, if not for a running start, since the prospects are still too foggy, then for thinking the situation over?

Alas, there is little time to sit and wonder, as has been clearly demonstrated by the President's report. He calls not so much to reflection as to action in a number of directions at once – from large-scale privatization to control over inflation; from stimulating growth in production and the use of scientific and technological potential to stepping up aid to the poor. Man must not be sacrificed for reforms, the people must not be alienated by them, they must become their active participants. Such was the President's dominant theme.

Let's not repremand the President for his declarations. After all, it was a political programme and not a feasibility study. And if his speech somewhat resembled former resolutions of the CPSU Central Committee and Council of Ministers, this is a question of form rather than the content. It's the inherited style and mind-set of those who prepared this speech for him that shows through.

Calling for attention is a different matter: the tendency to combine things which, to put it bluntly, are hardly compatible. How is it possible to combine, for instance, acceleration of agricultural reform and stock-holding with measures aimed at curbing inflation and intensifying the aid for the socially vulnerable ones? The problem here is not only that the finances required will have to be drawn from the same half-empty public purse.

Different proposals seem to be borrowed from different programmes. The desire is felt, while not stepping too far from the liberal monetarist concept proposed by Gaidar's group, to draw nearer to the absolutely different approach suggested by the state-oriented industrialists, the corps of managers led by Arkady Volsky, not forgetting, at the same time, demands put forward by other influential forces – from trade unions to entrepreneurs and the army.

I would like to emphasize once again that all this is difficult to put in the same bag. But doesn't the art of political compromise consist precisely in this? I have in mind a genuine rather than a superficial compromise, a kind which, unfortunately, is so rare in the post-communist world. To make such a compromise, the desire to strengthen one's own personal power by balancing one's self between extreme forces is not enough. For such a compromise to be possible, one must be true to one's convictions, leaning on all creative forces regardless of all the differences and controversies between them. It's important to be able to find the truth in the course of the disputes between them, as Roosevelt was able to do during the Great Depression, with which Zbigniew Brzezinski has recently compared the present situation in Russia.

Such a comparison does not quite fit. Those days were a crisis in the market system, which we are still trying to create. And it's much more difficult to create something new than to repair an already operating mechanism. The report by Boris Yeltsin to the Supreme Soviet only confirms this.

Dmitry Volsky

THIS WEEK

■ It is only in the years of *perestroika* that ordinary Russians began to study seriously the geography of one-sixth of the land which was formerly known as the USSR, and not by by school textbooks, but by reading newspapers and magazines and listening to radio and TV broadcasts. Nagorny Karabakh, Sumgait, Tskhinvali, the Kazakh district in Azerbaijan, Bendery, Uzen and many other hot spots became known to Russians owing to armed conflicts there, the loss of human life and the suffering of women and children.

While adults shoot at children, children shoot at adults

Russians continue to learn more and more geographic names. Take the Kurgan-Tyube and Kulyab regions in Tajikistan, for instance. Unknown in the past, they are now frequently mentioned in the media. A fierce, ruthless and, what is worse, senseless war has flared up there. Tajiks are fighting against Tajiks. In the name of what? No one can give an intelligible answer. Clans are engaged in a feud, as old as the world, but now with diverse headings: communism, democracy, Islam and vendetta. No end is seen to this war of extermination.

The border river Panj, which divides these regions from the southern neighbour, Afghanistan, seems to have grown shallow, dried up and disappeared, and it's as if the dreadful reality of that country has merged with the reality of Tajikistan's southern regions. The tragic similarity between these conflicts is emphasized by the presence of a new generation of "Russian internationalists" in the Kurgan-Tyube and Kulyab regions, though even Tajiks do not believe in the success of the peacemaking mission of the 201st motorized infantry regiment of the Russian army which is stationed there. A.Iskanderov, acting president of Tajikistan, openly declared that he puts his hope only on UN intervention.

■ There are signs of an impending break in Georgian-Russian friendship. Only three weeks ago, at the height of the holiday season on the Black Sea coast, the leaders of the two countries expressed goodwill, mutual understanding and determination to restore order in Abkhazia by joint efforts and democratic methods.

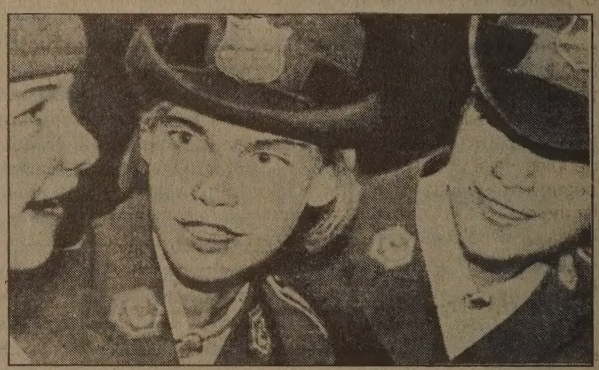
Suddenly, however, Boris Yeltsin made an unexpected demarche. He gave the stern warning to Tbilisi that Moscow would take the necessary measures to protect Russians imperilled by the fighting in Abkhazia, where fierce battles were raging at the time. Moscow was displeased with the decision of Georgia's State Council to take under its jurisdiction the military property of Russian troops stationed on the territory of that republic. Tbilisi did not even take the trouble to present convincing arguments in favour of its decision. Gentlemen and, the more so, friends do not behave like this.

The question of etiquette in relations between friends, when one friend misappropriates the arms owned by the other, was probably discussed behind closed doors at a meeting of Russia's Security Council urgently convened by President Yeltsin. In any case, after that meeting Russia's Defence Minister Grachev made a statement in which the seizure of Russian weapons was qualified in sharp words, without any politeness.

■ Georgian troops faithful to the State Council and Eduard Shevardnadze, on the one hand, and Abkhazian guardsmen together with volunteers from the Confederation of Highland Peoples, on the other, are involved in a battle which continues to escalate. Bitter fighting raged in Gagry. It can only be regretted that one of the loveliest places in the former USSR has been turned to ruins. At first, it seemed that Georgian troops would prevail there. But, having mustered their strength and displayed brilliant military skill, the Abkhazians and highlanders ended up knocking Georgian units out of the town.

Under these circumstances Georgian strategists used another type of weapon which the current chairman of the State Council had time to perfect over many years as Foreign Minister of the USSR. One "diplomatic bomb" after another was fired from Tbilisi. Georgia's State Council sent a message to the UN Secretary-General, asking him to urgently convene the Security Council, and discussed the text of a message to the NATO headquarters. It remains to see what effect these messages will produce.

■ Representatives of the Salvation Army – the International Council of the Christian Churches – have opened a Sunday school for children in the Krasnaya Presnya district of Moscow. It is the

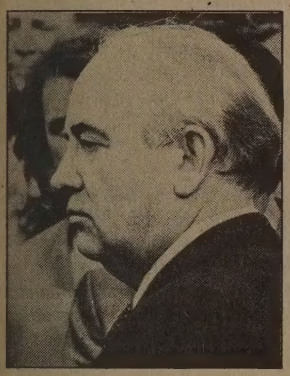


second school of this type opened by members of the Salvation Army, who understood that Russian children today show interest not only in Norris or Stallone but also in Christian sermons. Thanks to this the ranks of the Salvation Army will be replenished by new 14-year-old recruits. They decided to help the poor and unfortunate whose numbers are growing. The young volunteers work in free cafeterias for the elderly, daily make the rounds of the Moscow railway stations on a special bus which delivers dinners for homeless people, and distribute humanitarian aid.

War veterans and veteran workers invited to receive parcels from abroad were grateful for the concern showed them by the Salvation Army.

■ Many staunch Communists as well as democrats have received what they consider good news. Eluding the members of the Constitutional Court, who wanted to see Gorbachev testify as a witness in the hearing on Yeltsin's anti-communist decrees, the

THIS WEEK



Jupiter, you are angry...

former number one Communist, general secretary of the party, has at last tripped up, being taken by the small hairs, so to speak.

The Court applied to the ministries of security and foreign affairs, asking them to prevent Gorbachev from leaving Russia on a foreign trip (to South Korea this time) until he fulfils his civil duty and appears as a witness in the case. For some reasons Gorbachev flatly refuses to meet with the members of the court and his former associates present in the hall. His arguments are so strange that Justice Minister Fedorov hinted in a TV interview that he does not understand them. Many associates of the "architect of *perestroika*" are unable to understand and explain the logic of his behavior. One thing is clear: the story will have some thrilling acts to come.

■ The Confederation of Highland Peoples, which only recently few people took seriously, becomes an ever more active participant in the political life of Russia and the Commonwealth of Independent States. A congress of the Confederation held in Grozny showed that, despite its limited character, this organization can play an essential, both positive and negative, part in the alignment of political forces in the south of Russia. The main report at the congress was made by Musa Shanibov, chairman of the Confederation. Interest in his report was stirred up by the news that he had just escaped from a prison in Rostov, where he was held under examination.

Musa Shanibov was categorical in his judgements. Reviewing the political situation in the region, the leader of the highland peoples said that, in his opinion, a full-scale war had already begun in the Caucasus. He called for the removal of all anti-popular regimes in the North Caucasian republics. Moreover, Shanibov insisted on the denunciation of treaties concluded by these republics with Russia and on the withdrawal of Russian troops from that area.

As if vying with Shanibov in the extravagance of his pronouncements, Gen. Dudayev, President of the Chechen Republic, rebuked the United Nations and, burning with anger, demanded that the UN General Assembly, and the United Nations in addition, should be dissolved. Nevertheless, the congress did not take on the character of a political spectacle. Speakers raised serious questions concerning the troublesome situation in Abkhazia and the Kabardino-Balkarian autonomous republic. On the whole, the tone of the discussion was balanced and moderate.

In addition to the reckless speech of Gen. Dudayev, one more detail attracted the attention of the audience. Representatives of the Russian President's office were among the guests at the congress. Those present asked what it could signify, but no one knew the answer.

■ It was generally believed that Yegor Gaidar would be the first to resign. However, the Ukrainian premier Vitold Fokin retired from his post earlier. In a letter to President Kravchuk he explained his decision by pointing to political hysteria fanned up over him and his cabinet. Fokin had not yet applied for his pension when one more blow followed. The Ukrainian parliament passed a non-confidence vote in the government as a whole, thereby forcing it to resign. Did the news send shivers to the members of the Russian government or did they decide to accept whatever fate had in store for them? In any case, bad associations have arisen in the minds of the people.

Incidentally, there were more than enough reasons for the resignation of the Fokin cabinet. Ukraine is plunging into an ever deeper economic crisis. During the first half of the year the national income fell by 15 percent and industrial output by 12 percent. The republic is jolted by workers' strikes and religious conflicts. Laws are not observed and crime is on the rise. A gloomy but painfully familiar picture!

While denouncing the government, parliament forgot to search for an answer to the question posed by Lenin in his days – what's to be done? Instead, they are trying to find bright, valiant and tireless individuals who will boldly carry out reforms and lead the suffering masses to a radiant future. The most fashionable subject of conversations in the lobby of the parliament was how its chairman, who had previously put a spoke in the wheels of the Fokin cabinet, had "pricked" President Kravchuk at last. Yet one more involuntary comparison.

While verbal clashes and gossip continued in the Ukrainian parliament Yegor Gaidar, returning from Poland, visited Kiev in his capacity as Vice-Premier and even met with former ministers, having discussed with them serious problems of bilateral relations between Moscow and Kiev.

CARTOON OF THE WEEK

Drawing by Vladimir Mochalov

Quotation of the week

"Europe is passing through some of the most chaotic days in the existence of its financial system. This concerns both the monetary and other markets."

B.Dennis,

director of the State Bank of Sweden

The contagion of powerlessness

A guarded border between Georgia and Abkhazia was out of the question prior to August 14

State Council troops senselessly ruin Abkhazia thereby denying that Abkhazia is part of Georgia

The obvious purpose of the thoroughly planned and mounted Abkhazian offensive against Gagra was to obtain access to the plains bordering on Russia. Indeed, within a few days from now mountain passes will be blocked, so should Gagra and the frontier village of Leselidze remain in Georgian hands, the Abkhazians will find themselves cut off from their North Caucasian "brethren."

Under the agreement signed in Moscow on September 3, the frontlines divide Abkhazia into three chunks sandwiched between top popular health resorts. The Gagra area from the Russo-Georgian border up to the Bzyb river is under Georgian control. The Gudauta area and Pitsunda are in Abkhazian hands, but further east of the Gumisty stream, the Sukhumi and the Gulripsha and Ochamchira districts are again under Georgian control.

There is less gunfire on the second sector along Chumister, where troops have disengaged in line with the September 3 agreement. However, in the Gagra theatre, disengagement failed, as the Abkhazians refused to retreat beyond the Bzyb river, claiming that in that case less than a third would be left of Abkhazia. Moreover, this is a hilly place, and equidistant disengagement gives the edge to the side with the higher mountains as providing a coign of vantage from which to bombard enemy positions. Thus in the Gagra direction, crossfire continues, and no truce can be observed. "When the wind comes up and the bushes rustle," Mikhail Marinashvili, the Georgian commanding officer complains, "my chaps start haphazardly firing out of fear, and the other side, naturally, retaliates."

Trench-backed offensive?

So what are they really fighting for? Apparently neither side has a clear idea. If you are to ask an Abkhazian, he will say that he is protecting his land from the Georgian incursion, from rapers and marauders, who want to destroy the Abkhazian Republic, for that matter, not just the republic, but the entire Abkhaz nation. "What they want," he will say, "is Abkhazia sans Abkhazians." He will also say that the Abkhazians are a very ancient people, that they have been living here from times immemorial, that Abkhazia has nothing in common with Georgia, that it joined Russia in 1810, a date that every peasant knows, that up till 1931 Abkhazia had been a full-fledged subject of the Union, but that subsequently, due to Beria's intrigues and underhand dealings, had been reduced to the status of an autonomy within Georgia. However, he will add that they are not going to take that any longer as Abkhazia wants to be in Russia or as an independent CIS subject. That is what the soldiers and the locals say. But the Abkhazian leadership doesn't dare to speak of Russia or CIS. They see the purpose of the war as getting the State Council troops to go and then have Abkhazia negotiate a federative or confederative relationship with Georgia. After all, they assert, "Russia did conclude a federative agreement with its republics and Abkhazia has as many historical and political reasons to claim sovereignty as the republics in the Russian Federation do."

Meanwhile the Georgians will tell you that Georgia is one indivisible entity, that Abkhazians comprise a 17-percent minority in Abkhazia, where they have been systematically violating the rights of the Georgians, that they now want to secede, and that their main purpose is to set up with the North Caucasian Muslims a corridor to cut Christian Russia off from Christian Georgia. (Incidentally, most Abkhazians are Christians, though, true, their Christianity and Islamism are rather feeble and so peculiar that one would sooner note an enduring pagan tradition upon which sundry religions were subsequently superimposed).

As for what the State Council troops are actually doing in Abkhazia, one will hear a plethora of replies offered. None of the people I talked to repeated what Shevardnadze had said as regards guarding the railways. On the other hand, I learned that the introduction of troops had been of a preemptive order, as Abkhazian guardsmen were getting ready to mount an

attack, as when State Council guardsmen entered Abkhazia, they found it crisscrossed by trenches. At this point my companion observed that trenches were dug for the purpose of defence, not for an offensive. "Not at all so," came the retort. It was also alleged that a host of North Caucasians, whom Georgians dub indiscriminately "Chechens," had been imported into Abkhazia in advance and had been registered there with the purpose of their occupying Georgian homes and that the troops had been introduced to expel these "Chechens." It was also observed that no troops had been introduced at all, that a battalion temporarily pulled out of Sukhumi had sought to return but that the Abkhazian guardsmen had barred its way. For that matter, nobody could actually indicate what the fighting was all about.

However, they all feel sore at Russia. Thus, the Georgians maintain that Russia is secretly encouraging and even arming Ardzinba. It is claimed that arms are shipped by sea from Sochi to Pitsunda. There are complaints that the Russian paratroops regiment quartered in Gudauta fires on helicopters going from Sukhumi to Gagra and thus "does not allow us to transport our wounded men."

Actually the Russians traiditionally categorically demand – note that before the regiment was a Soviet one – that the helicopters land for purposes of inspection to thus block the carriage of military materiel. We saw for ourselves that Georgian helicopters, marked with the red cross, carried munitions as it was aboard such a chopper that we with a cargo of munitions flew from Sukhumi to Gagra. As a matter of fact, its crew was geared to "get through," if told to land for purposes of inspection. Whatever Yeltsin may say, Georgians are convinced that Russia wants to dismember their country. The Abkhazians meanwhile say that Russia has sold them down the river. Everyone I talked to echoed the myth of a supposed clandestine Yeltsin-Shevardnadze agreement in Dagomys, where Shevardnadze had presumably asked Yeltsin to bless the destruction of Abkhazia and had received the green light.

Nor can they forgive the attitude to the Confederation of the Caucasian Highland Peoples. How, they say, if we were attacked by a force of 40 to 1, moreover, armed with the weaponry that Russia had handed over, and our brothers rushed to help the weak, then how could they stand in their way? True, Russia being their sole hope, they add that Yeltsin is not all Russia, that Russia has for instance, Baburin, and other honest folk and that sooner or later they will come into their own.

The Russian parliament's decision with respect to Abkhazia has reaffirmed these hopes. "There you see, parliament is for a fair deal!" they say.

Yet, Shevardnadze responded with unconcealed annoyance. It is plain that had he even planned to withdraw his troops from Abkhazia, or at least reduce the force there, the Russian parliamentary decision had aborted that. After all, on the eve of a general election, even a very influential leader would never dare to show that he was afraid of Russia. People in the know say that Shevardnadze had had quite another operation in mind when seeking to reaffirm Tbilisi influence in Abkhazia. There had been plans to reinforce the Internal Affairs Ministry and police. However, Defence Minister Kitovani, who is bursting to find more jobs for his "boys," had had his own ideas in mind in this connection.

A "company of thieves"

"Just look at what they are doing," the Abkhazians say. We were in an Abkhazian village looking at a wrecked house which an infantry vehicle had smashed the previous night. At that very time we had been walking along the road and had heard heavy gunfire. Then two armoured vehicles raced by followed by several ambulances. It was clear that a large-scale military operation was in progress. Now we could deduce what that operation had been. Locals said that at first there had been gunfire, and all the inhabitants of the roadside houses had run away. Then four of the nearest houses had been ransacked and destroyed. Wherever a section of this or that house was still standing, we could see looted cupboards with not a single plate, cup or fork left. Only books remained. Practically all the houses by the road linking Ochamchira with Sukhumi are ruined. Some had been burned down, others were wrecked, but most were simply looted. Villages some distance away from the road had also been raided. The scenario is always the same, the Abkhazians say, with heavy gunfire to chase the Abkhazians away, followed by looting. Sometimes the houses are burned down, sometimes not, but always several trucks come in, escorted by these armoured vehicles, to carry away the loot. The Abkhazians love to note that they had spotted on one of these trucks the legend: "A company of thieves."

It is mostly Abkhazian houses that are looted and burned down. Armenian homes suffer the same lot – in the general view, the Armenians are the wealthiest. However, this is noted without envy. "The Armenians are industrious and are good tradesmen," they say. "That's a Georgian house," one lady told me, adding that the owner only had himself to blame. Scared of the gunfire, he had ran away and had not come back for two whole nights. "So they thought that as there was nobody there, it was an Abkhazian house, and so they burgled it. But it could well be," she continued, "that they did not even stop to think whether that was Abkhazian or not, seeing it was simply as a well-to-do place."

In the cities and towns, Abkhazian flats are also burgled. I myself saw four husky lads in uniform and with assault rifles-lugging out of a smashed flat and carefully loading onto a truck an electronic instrument. A Russian neighbour angrily commented: "They're supposed to be looking for arms, but there you see what they're doing." Hardly able to speak after this humiliating experience, she added: "What can I do? What can I say when I see neighbours being robbed? After all, there are four of them, and each has an assault rifle, while all I've got is a kitchen knife!"

The first time I met these guardsmen was when we called a halt at a former health home, where State Council troops are now deployed. Coming across a handsome light-eyed 25-year-old, I asked him how the war was going on for him. He at once came back with this reply: "Do you think I'm fighting for booty? I couldn't care less for that! I'm sticking up for the honour of my country." Having said that, he hunkered down for a while and then raised his head to note: "We don 't use the needle like the Chechens do," He was blind drunk. That night we heard drunks scuffling, shouting and swearing. Fortunately, they didn't open up fire, even though each lad carried an automatic rifle. Otherwise they do open fire time and time again, into the air, or at birds. "Kids at play", one charming Georgian lady, an MP, commented.

An elderly Armenian policeman chimed in: "Well, just how are we to combat the looting? We're afraid of them, they've got automatic rifles, while all we have are a couple of handguns. For that matter, the police have no authority, only the guardsmen do, while as for complaining to their superiors, that's just out!"

Igor Gurgulia, the former prefect of the Ochamchira district, said that he had been detained by Georgian authorities the very next day after the incursion. "I'd gone off to find out why armoured vehicles had driven into my prefecture without my permission, even without notifying me, and so I was detained. I had come on a brand-new Volga car, the latest model which I had purchased only recently. So when I was placed under arrest, the aide of Lanchava, the Georgian commanding officer, took the ignition key away from my driver and pocketed it. But Lanchava, who seemed to be looking the other way, had definitely noticed that, because he stuck his hand into his aide's pocket, pulled out the key and put it into his own pocket."

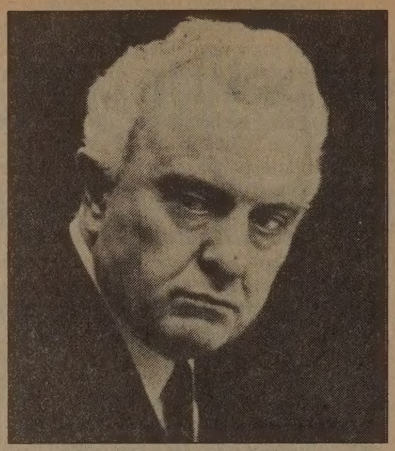
The poultry farm story

The Georgians I talked to observed that I wasn't taking into account what the Abkhazians were doing, how they were treat-

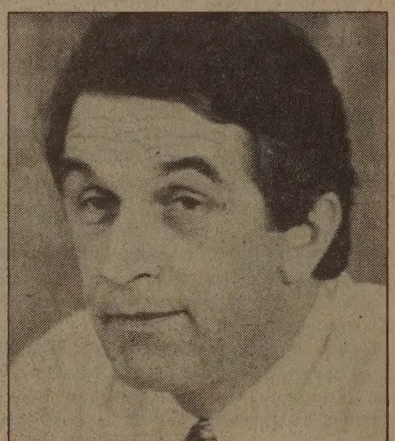
ing Georgians in Gudauta, for instance. I must certainly say that Gudauta's Georgians are in an unenviable plight. Indeed, like the Abkhazians in a Georgian community, they are haunted by fear. At the Gudauta airport, a Georgian refugee begged me, when she learned that I was a correspondent, to stay away from her, as she feared for her husband who was still behind as Abkhazians were watching us. True enough, they are also robbed, their houses are burned down, and their women are raped. However, there is an essential difference. All criminals caught in the act are detained and prosecuted and face the penalties the law prescribes. In Georgian villages, special police posts have been set up to protect the inhabitants and though the Georgians are afraid of their guards, as the latter conduct searches to discover hidden weapons, with this moreover conducted most cruelly with menaces and shooting, but without looting. Yet they say it's a good thing, evidently believing that even such terrifying authority is better than none at all.

I really don't want to say that the Abkhazians or the Abkhazian authorities are kinder and more humane than the Georgians. The point is that Abkhazia had its authority, its police, its post offices, its telephone exchanges, its shops and its market places, and all that still exists, even though within the Gudauta area only. That is why they are able to resist the chaos that inevitably accompanies warfare. Crops are still brought in and streets are still swept. On the other hand, Georgian authority in Gagra and Sukhumi is foreign, moreover, has been installed to wreck the previously existing order. All this authority can rely on are the guardsmen. Thus, though the Georgian authorities held Gagra, which on the whole was not so greatly wrecked, for six weeks or so, they were unable to get the shops going. All they could do was to bring in bread. As for the bazaar it is very meagre, with the inhabitants afraid to put out their ware for sale, as they fear they might be stripped of their goods.

What strikes the eye first is the tragic collision between an ordered way of things and complete disorder. Indeed, the troops introduced to support Georgian authority have wrecked authority completely. Gunfire and bombardment have destroyed priceless economic installations, as, for instance, the large poultry farm which not only supplied all of Georgia, but a goodly part of Russia too, and which any real authority would have protected. Gunships fire missiles at schools and kindergartens, which thank God are empty, as nobody is accommodated there at the moment. In the village of Otara Abkhazskaya, its handsome club was destroyed by a direct hit. These raids also cause casualties, thus far not so many, and mostly haphazard. What is amazing, though, is the senseless urge to destroy, which neither political nor military motives can explain.



The former USSR Foreign Minister and the present Georgian State Council Chairman seem to be two different men



Vladislav Ardzinba had counted on negotiation, not war, but was mistaken

Guerrillas

The Georgian MPs in the Abkhazian parliament say they can't understand why local Russians and Armenians support the Abkhazian Muslims instead of the Georgian Christians. How otherwise? After all, did these people, who were having it rather well in Abkhazia, need to follow all the ups and downs in Ardzinba's political games with the Council? Like most Abkhazians and Georgians, for that matter, they were but little concerned as to the issue of Abkhazia's own status. All they wanted was to be left alone. But now almost overnight, life had gone bust, with gunfire and looting, with no work, and nothing to eat. Along with the Abkhazians, the Russians, the Armenians, the Turks and the Greeks living in Abkhazia curse the State Council guardsmen, calling them gangsters and looters.

During the fighting in the village of Merkuli, a Russian lad was killed. The Georgians said he was a Russian mercenary. But how can one expect to find mercenary in the Ochamchira district, which, to all practical intents, is sealed off. He was a local, a guerilla.

After one Armenian village was again raided, Igor Gurgulia said: "Now look here, fellows, don't think I'm urging you to join us and fight the Georgians? But after all, you must protect your village!" For the Armenians, neutrality was vital, as there are so many of them in Georgia itself. On the other hand, for how long could they tolerate these bandit raids? And so the younger Armenians arm themselves "just in case."

The new Ochamchira prefect was appointed after August 14. Actually, his jurisdiction extends only to the town of Ochamchira, as such, to the highway and even then only to the extent the guardsmen allow, and to the very narrow strip between road and sea. Most of the district is held by guerrillas, whose organization is astoundingly like everything one has ever read about guerrilla warfare. The link-up system is the same, with villagers liaising with guerrillas, but themselves not taking a direct hand in guerrilla operations. Then there are also people who have a link with those who liaise with the guerrillas mostly. Sabotage is employed, with road bridges blown up and anti-tank mines planted on the approaches to the villages. As there are mines galore in the hills and mountains, it is easy enough to get the dynamite.

Guerrilla warfare is always cruellest, as in such a warfare no laws are observed and no prisoners are taken. This is a war against the population, after all. So unless the State Council troops are withdrawn from the Ochamchira prefecture, their mission will inevitably degenerate into a fight against the guerrillas, implying the steady obliteration of all the villages in the area.

What are the State Council troops actually doing in Abkhazia? Guarding roads and railways? However, the railway is idle, and the roads to all practical intents are not used either. For that matter, it is quite obvious that these troops are incapable of discharging a guarding mission. Perhaps they are then protecting Georgia's integrity? However, the crisis of authority, the collapse of state power has afflicted like a contageon precisely that part of Abkhazia which the Georgian guardsmen have occupied. One cannot get away from the impression that on August 14, when State Council troops were sent in to Abkhazia, the heaviest blow was struck at state power in Georgia.

Galina Kovalskaya

GAGRA–GUDAUTA–
TKVARCHELI–
SUKHUMI

Local troops the best

After his visit to Moldova Mr Adam Daniel Rotfeld, Director of the Stockholm International Peace Research Institute, gives an exclusive interview to the *New Times International*

In August, the acting chairman of the CSCE Council of Ministers appointed me his personal envoy to consult with the parties concerned and to facilitate a settlement in the Dniester area.

When I visited the place in mid-September, my notion of the situation there and of how to effect stabilization changed for the better. I owe this to meetings with Moldova's top leaders, the Dniester Area authorities and the commanding officers of the 14th Army. My emerging hopes were reaffirmed after I had discussed matters with members of the tripartite and quadripartite commissions, armymen from the peace keeping battalions and local residents.

In the upshot, I arrived at certain conclusions which I presented at a Prague meeting of the CSCE committee of senior officials. It is quite feasible to avoid renewal of the fighting. The truce secured is observed, as all opponents, participants and partners are tired of the bloodshed and for the most part want peace. However, they still have no consensus as to what this future peace should be like.

It seemed to me that on the whole, the conflict was not of a national order. I would say that the ethnic aspect is manipulated for political purposes. In this small country which has a population of 4,350,000, there are 96 nationalities today, among them Moldovans, Russians, Ukrainians, Gagauzes, Bulgarians, Jews and Poles, and it appears to me that they are really living together, not simply coexisting. Which means there are grounds for proceeding with this life in common. All that remains to be done is to evolve a *modus vivendi*.

Moldova gave me the impression not of a God-forsaken fringe of the Soviet empire, but of a dynamically developing country, with all the conditions needed for advancement and prosperity. It has the potential for agricultural and industrial progress. What struck the eye there was that the people there were putting up sturdy houses in a national style, which means they think to live in this country.

An important aspect is that the "Russian element" is not seen here as alien or "non-indigenous." Felt is the awareness that historically the Dniester Region has always been part of the Russian empire, not of Romania. I feel that the accords between President Yeltsin and President Snegur to initiate without any strings negotiations to secure a political settlement have been received with understanding, which also refers to the prospects of sustaining broad relationships between Moldova and Russia, either within the CIS framework and/or on a bilateral basis.

As for the 14th Army, it unquestionably must be withdrawn by stages. Yet I was told that it was the units of this army that had averted infernal carnage by disengaging and, frankly speaking, terrifying the opposed forces. The status of this army must naturally be agreed upon by the political leaders of the two countries.

Do disputes necessarily have to be resolved by force of arms? *Photo by N. Galkin*

There are also some hazardous aspects, paramount among which is the desire to confront the other side with a *fait accompli,* the desire to outplay the other side. Thus, president Snegur told me he was going to visit the left-bank area, but I had hardly got back to Stockholm when I learnt that he had been obliged to change his mind as the Dniester Area authorities had started to set up frontier and customs posts, in other words, had started to lay the "bricks" for building up an independent state.

Understandably, Moldova's hasty rapprochement with Romania frightened many, not only left-bank residents, but also Moldovans themselves. According to statistics obtained in Moldova, only 10 to 15 percent of the country's population advocate unification with Romania.

I think the way out of the conflict should be sought not in the establishment of an independent Dniester Region state, not in the dismantling of Moldova, but in the punctual adherence to the well-known principles of the Conference for Security and Cooperation in Europe which now and again are overlooked in the heat of argument. I will be able to offer concrete proposals on this score after further consultations in Moscow, Kiev and Bucharest, but I must say that the foundation thereto is already to be observed.

Firstly, it is essential to consolidate Moldova's independence and to ensure its integrity and the inviolability of its frontiers.

Secondly, an agreement must be drafted to have Russian troops pulled out within a timetable acceptable to all the parties concerned.

Thirdly, human rights and the rights of the national minorities must be unreservedly observed.

Fourthly, an international machinery must be set up under CSCE to control and watch over the implementation of the decisions taken.

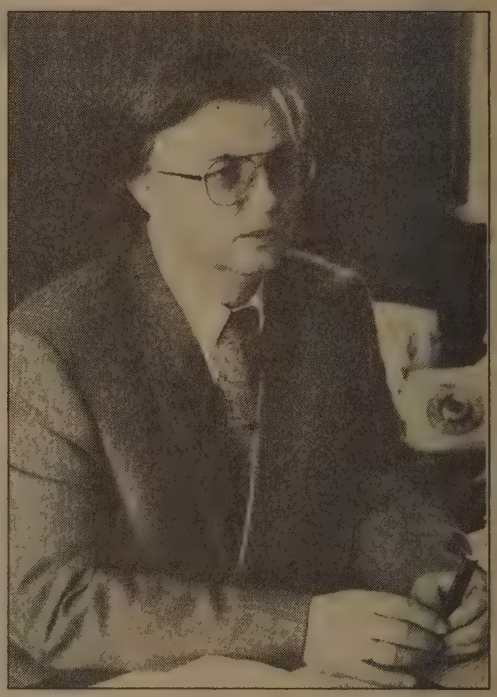
Every step in this direction will be meaningful provided the local forces in Moldova and the Dniester Area bear the brunt, and provided also that the interests of Romania, Russia and Ukraine are taken into account. Though other countries and international agencies may assist, suggest and conciliate, the actual solutions must be found and implemented on the spot. There is no point in sending in UN or CSCE troops inasmuch as none else could discharge the arduous peacekeeping functions better than the lads I chanced to see in the ranks of the battalions of the tripartite peacekeeping force (Moldova, Russia and the Dniester Area. – **A.P.**).

I remember being taken in an escorted limousine to these battalions. However, as the map we had been given had been drawn by hand, we spent quite some time feeling our way until local children told us where we were to go. So how could we have any bluehelmeted Swedes or Norwegians here? Generally speaking, who I think would do best as regards peacekeeping operations throughout the expanses of the former USSR are local armed forces, as well as invited troops from Russia, plus the other republics concerned.

Russia can play a very positive role in the Dniester Area. However, to avoid accusing Moscow of empire ambition and also achieve greater objectivity in crisis situations, we shall apparently need a small but prestigious group of CSCE observers. True, the procedure and form for their participation have yet to be discussed and agreed. What is indisputable, though, is that CSCE may furnish valuable assistance in disputes of a political, legal, diplomatic or military nature.

Recorded by Alexander Polyukhov,
NT own correspondent in Sweden
STOCKHOLM

Voucher: the key to privatization



"The programme of privatization of state-run and municipal enterprises is a resolute step towards the market economy," says ALEXANDER IVANENKO, Cand. Sc. (Economics), First Deputy Chairman of Russia's State Assets Evaluating Committee.

New Times International. What are the major objectives of privatization?

Alexander Ivanenko. There are a number of them. They include creating a sector of private owners, increasing enterprises' efficiency, ensuring social protection for the population and developing social infrastructure, promotion of competition and demonopolization, and encouragement of foreign investment.

The programme establishes quotas for the distribution of revenues to be derived from privatization in 1992 as follows: the revenues from privatization should be 72 billion rubles in 1992, 350 billion rubles in 1993, and 470 billion rubles in 1994. The increased private effective demand will be secured by the introduction of registered privatization checks (vouchers) which began to be issued on October 1. According to economic forecasts for 1993-94 these registered privatization checks and privatization funds of enterprises will become the main source of finances for the purpose of privatization.

Privatization checks are issued in series and are effective for one year, but their validity may be prolonged by the government.

N.T.I. Privatization is not only a lengthy and complicated process, it's also rather expensive. Who will finance it?

A.I. The financing of privatization is also provided for by the programme. Russia's commercial banks and foreign banks are authorized to credit privatization bargains without any restrictions, while local privatization programmes can make use of credits from the funds of Soviets of People's Deputies. The Central Bank won't extend credits for privatization.

N.T.I. Any big business starts with a small one. Evidently, "big privatization" also starts with minor privatization?

A.I. Certainly. Russia's State Assets Evaluating Committee has worked out, in cooperation with the International Finance Corporation*, recommendations for carrying out small privatization and has sent them to all the regions of our country. They are worked out on the basis of both foreign and domestic experience. In Nizhny Novgorod the first stage of small-scale privatization was connected with the selling of state-run shops and small enterprises by auction. Now it's the turn of the Volgograd and other regions. The US goverment has given $1.5 million as a grant-in-aid for the development and implementation of the privatization programme in this and other regions of Russia.

N.T.I. But what's the situation at present, how is privatization going as a whole? Foreign experts believe it will take us 10 to 15 years at least, and we want to finish the whole affair in three years...

A.I. Not all is so hopeless. Within less than one year's time we have privatized a part of state property (more than 7 thousand enterprises) worth 10,000 million rubles. Some enterprises were sold by auction, some went joint-stock. Unfortunately, privatization proceeds slower than desired and than necessary. The explanation is a mixed bag, including insufficient investment demand, i.e., people don't have enough money to buy property.

The optimum scenario for privatization is the following: 25 percent of registered preference stock is handed over to members of work collectives free and immediately. Common stock is sold to them at a 30 percent discount and on a year's instalment plan, which will make another 10 percent of the statutary fund. Shares can also be bought in excess of the "privileged" stock, and those issued free and with a rebate can be sold. The money gained by the sale of the stock won't be lost to work collectives either – 10 % of its value is deposited in personal privatization accounts. Work collectives also have privileges when entreprises are sold by auction or by tenders: if at least one third of a work collective is united into a joint-stock society, they are granted a 30% discount and the right to pay by instalments over one year. Besides, 10% of the entreprise's selling price is paid out to those members of a work collective who haven't become its owners.

In the course of privatization some of its opponents may suspect that the personnel

*The International Finance Corporation (IFC) is the world's largest source of direct financing for private investment projects in developing countries (presently numbering 145). During the last 5 years the IFC has been active in Central and Eastern Europe and it is now the largest investor in this region. Apart from privatization activities, the IFC also offers consultations on banking, development of share markets, taxation, legal services and encouragement of foreign investments in this region. Presently the IFC effectively promotes the inflow of private foreign investments to Russia. Russia is expected to be admitted to the IFC shortly. It will have to pay 80 million dollars as an assessed contribution for that purpose, but will become the owner of the sixth largest stock in the IFC, which has mobilized over 1,500 thousand million dollars by today.

of an enterprise can buy off (possibly through dummies) all their factory's stocks. I see nothing wrong in it, provided that it works and pays dividends to shareholders. While the all-around turning of entreprises joint-stock is to ensure the "supply" end of privatization, the all-around "voucherization" must guarantee the "demand" end for privatization. Thus a voucher is a child of civilized privatization, and it must become its beloved child. Vouchers will be issued to all Russian citizens, from infants to the aged. The distribution is carried out through savings banks, but not free: 25 or 50 rubles will be charged for one check. The distribution will end by December 31. From January 1 till December 31, 1993, every citizen is entitled to buy shares of any enterprise (not only of the one where he works).

N.T.I. Well, all members of my family have received vouchers. Suppose, we've decided to exchange them for shares of an entreprise. Where's the guarantee that it won't go bankrupt in a couple of months?

A.I. Here everything depends on the knowlege of the market, on one's propensity for business and shere luck. There are no definite prescriptions. The country catastrophically lacks information, analytic, consultative and auditing services. The procedure of listsing (checking securities and their emittents for reliability) has been introduced only at the International and Central Stock Exchanges in Moscow and at the Russian and St.Petersburg Stock Exchanges. Likewise, there is a shortage of trained personnel for investment funds. Therefore we have started, together with foreign experts, to train those who showed willingness to work in these structures which are novel to us. The investment funds may in the course of time be transformed into brokerage offices which have already started to carry out such stock operations.

The simplest way to use vouchers is to sell them. We already have information that certain crafty firms place on the files the addresses of elderly people in order to buy off their vouchers at face value. A delicate question – is it ignoble or not? On the one hand, the aged ones are relieved of dealing with the savings banks; on the other... I want to warn everyone that vouchers, like any securities, have their market value. And it's very likely that they will be sold by auction, and their rate will be determined by a stock exchange.

However, a number of problems may arise here. Suppose a large quantity of vouchers have been sold. There then appears a lot of idle money which people spend on purchasing goods. There is more money and less goods. Prices will start rising. The salary which seemed reasonable yesterday becomes worthless. People engaged in voucher-trading stop productive activity. This is economic doom. Therefore, it's important for every person to be able to buy shares of an enterprise which won't go bankrupt immediately.

N.T.I. Presently, in conformity with the decree by the Russian President, enterprises are going joint-stock and shares are issued. But if a joint-stock society is created on the basis of a state-run entreprise, all its shares belong to the state, which means that this entreprise must be privatized. How many shares are to be left to the state?

A.I. 25 percent remain with the state. But even in this case holding companies are necessary, to control not production but capital. There is also another form of controlling capital, trusts. For instance, you have a large share of stock, but you've no time to spend on it. In this case entrust your shares to another person who controls them and receives dividends for you, and you pay him an agreed upon interest for his services.

N.T.I. Are Russian structures able to carry out privatization, "voucherization" and also make entreprises joint-stock on a high international level without foreign assistance?

A.T. The answers to many questions simply can't be found in our country, therefore we have to resort to the experience of our foreign colleagues. We have a whole team of representatives of various companies which have won the right to render us their services by tender. Investment funds are created on the Checho-Slovak model. 8.5 out of 11 million of that country's citizens became owners of vouchers, and this in spite of the fact that they had to pay much more money for them than our citizens will. I have also to note that countries such as Great Britain, France, Chile, Poland or Hungary never offered work collectives such privileges in the course of privatization as provided for by our State Privatization Programme.

Now about foreign investment. We believe that it is necessary. There are industries and enterprises whose performance is very difficult to improve without foreign capital. On the other hand, people believe that if a foreigner buys a shop or a hotel in their neighbourhood, he will start to extort money, which they don't like. In order to avoid such conflicts, the State Privatization Programme stipulates that such objects can be privatized by foreigners only on a tender basis and on authorization by local municipal authorities. There are such industries where foreigners are admitted with great caution. They include the fuel, energy and military-industrial complexes as well as some other enterprises. The privatization of such is subject to governmental decisions.

One more specific circumstance should be also mentioned – the current exorbitant dollar exchange rate with regard to the ruble. Under these conditions a person who is not at all rich by American standards can exchange his dollars for rubles and become the owner of a very large entreprise, which is absolutely absurd. Russia needs dependable companies which can promote economic development. If one wants to buy the Likhachev Automobile Works, he must pay according to world standards. In this case a share of stock will cost, say, not 1,000 dollars (quite good money if exchanged for rubles at the market rate), but a much greater sum of money.

Privatization and "voucherization" are unavoidable, there is no way back. We will have shares, checks and a vast field of business activity early in 1993. I believe that the coming year will be decisive for our country. People will start to assimilate new notions, such as ownership, running an enterprise, joint-stock society, etc. Many will understand that there is nothing complicated about this. May the owner in each of us be awakened.

Interviewed by

Lev Rudsky

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Anti-money will not augment property

Society's reaction to the Gaidar cabinet's programme of public privatization, designed to strengthen the position of reformers and to make changes irreversible, is by no means a simple "da" or "nyet."

The sharpest conflict of opinions and interests has arisen over the very part of the programme in which the government holds the most hope. It is the distribution of 150 million vouchers which are supposed to give their owners a chance to become shareholders, co-owners of the former state property.

But how real is the government's aim of forming a broad section of owners in this way and isn't there a danger of a counter-productive political effect? Unfortunately, the likelihood is rather high. Relying on the expert advice of the International Finance Corporation – since, as A. Ivanenko asserts, there is no possibility of finding an answer to many questions inside the country – the government forgot that foreign consultants are even less adequately equipped to understand the specific conditions in Russia. As a result, in my opinion, many basic methodological and technical problems of the voucher solution have not been settled in good time and the very philosophy of issuing "passes" into a radiant world of property now arouses quite reasonable doubts.

The announced nominal value of the voucher – 10,000 rubles – raises acute questions. It turns out that this value was determined at the 1990 prices of production assets. Even if we disregard the allegation of many economists about the arbitrary character of the calculation, the announced nominal value exceeded at that time the price of an automobile. But inflation has made this sum equivalent to the market cost of only two pairs of ladies high boots. The man in the street finds it hard to imagine that this is exactly what his share of the property in the millennium-long Russian state has boiled down to.

There are also serious restrictions in the use of vouchers. They cannot serve as a means of payment in the purchase of land or flats, at auctions of real estate, and at competitive tenders of municipal property. The only practical use of vouchers is the hypothetical possibility of exchanging them into shares of privatized enterprises.

However, Russia does not yet have securities market and it is practically impossible to create it within several months. The situation is complicated by the fact that the government has not yet defined clearly what enterprises are to be privatized with the aid of vouchers. The question has yet to be decided even in Moscow.

In the meantime, the lobby of industrial managers actively opposes voucher privatization. At many plants, including those of the military-industrial complex, shares have been issued "quietly" and redivided within the limits of the state system. Valery Chernogorodsky, Chairman of the Anti-Monopoly Committee, said that hundreds of concerns, consortiums, joint-stock companies and associations had been formed in this way on the basis and with the participation of former ministerial structures. He named the joint-stock company Russian Commercial Communications as a model of such a redivision. Among its shareholders are managers of defence plants and top officials from the Atomic Energy Ministry. While the government was drawing up the scheme of distributing vouchers other pieces of the public pie were also sold to private hands. The Moscow authorities declared, for instance, that 6,000 small and medium enterprises employing more than a million people had been privatized in the capital by the beginning of June. Their new owners are naturally not in a hurry to allow the holders of free vouchers to buy their shares.

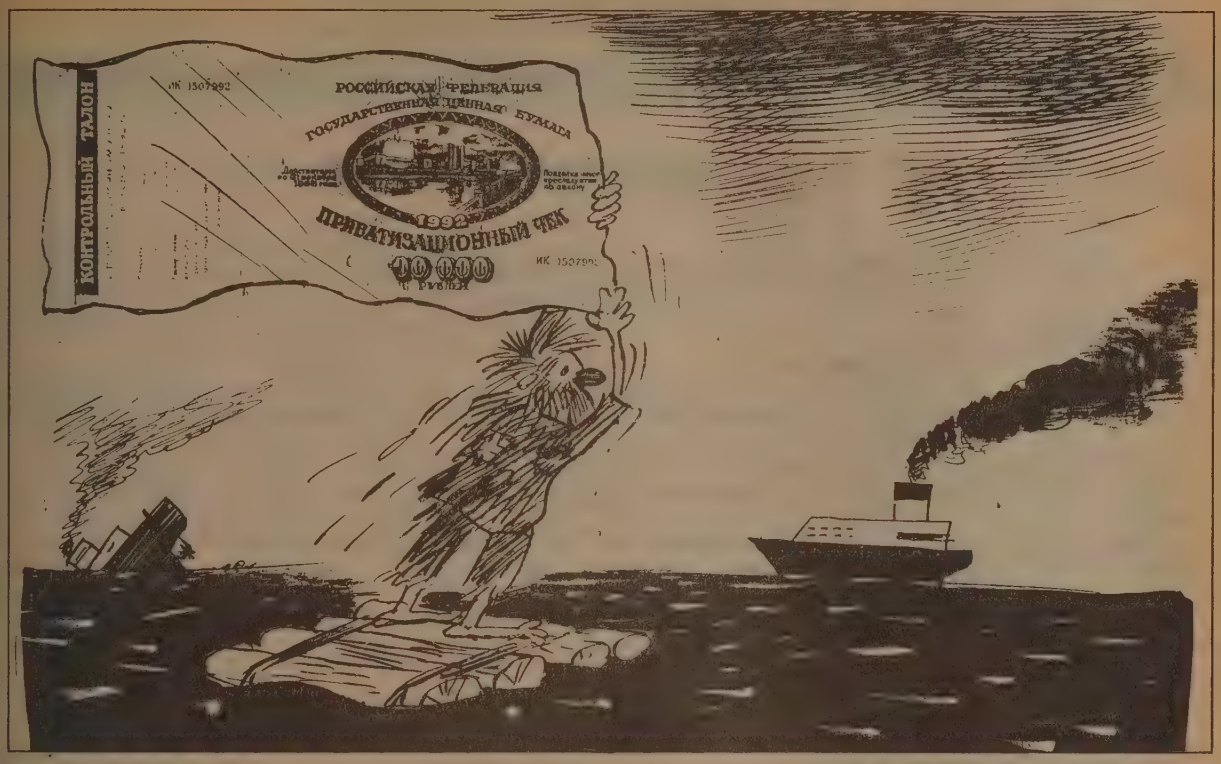
But that is not the only riddle of Russian privatization. The government has announced that it intends to earn no less than 892 billion rubles from the privatization of state-owned enterprises in the next three years. This sum equals the nominal cost of 89.2 million vouchers (out of 150 million to be distributed among the population). It means that the property sold in this way should be withdrawn from distribution because vouchers are only a means of exchange and, as such, will not bring money to the state. It remains a "secret" of the government how in this situation over a third of the shares can be apportioned for free possession.

Let us assume that a wonderful solution has been found. The workers of a given enterprise exchange their vouchers for a part of its shares. If the volume of such an exchange proves less than 35 percent of the entire stock, the remaining shares can become accessible to outsiders. If an exchange is conducted by investment funds yet to be created with the participation of government bodies, similar operations will merely augment the property of the state sector. In this case it buys shares from itself and sells them to itself. It will be recalled that the state plans to leave a fourth of all shares at its disposal. If the voucher exchange is conducted by private commercial funds, this will remove the holders of vouchers still further from property ownership, because in exchange they will receive the shares of these funds, not enterprises.

Russia does not have a system of free access to information about the financial position of enterprises, and this makes the exchange of vouchers into shares a sort of roulette game. A Bankruptcy Law could help make the right choice because it would "eliminate" failing enterprises in advance. But the adoption of such a law is postponed, and the government does not guarantee that as a result of the voucher-for-share operation the new "owners" will not become victims of mass bankruptcies. Such bankruptcies are quite probable due to the mutual non-payments between state-owned enterprises amounting to one trillion rubles, while output has fallen by more than 27 percent. As for the shares of more reliable commercial private businesses, they remain outside the zone of voucher operations.

In these circumstances the owners of vouchers, which are valid for a year only, will strive to sell them as quickly as possible. Thus vouchers will be bought by new businessmen. In conditions of total corruption they will be able to exchange them for profitable shares. These businessmen are already buying not even vouchers but simply the right to possess them. Experts forecast that with the flood of vouchers their market price may become one-thirtieth of the nominal value, that is, roughly 300 rubles per voucher. By the end of the year 1.5 kg of meat will cost as much. In regions with little industry and in rural areas the exchange value will be even lower.

Such apparently will be the end of the government myth about shaping, with the aid of vouchers, a broad sector of private owners. The real result of this action may be the emergence of a broad sector of society which is disappointed and indignant.



Drawing by Vladimir Mochalov

This frustration will nourish the nostalgia for the lost "paradise" of socialism. The Red opposition, which already demands "arresting the government," will not fail to use this emotional factor in its interests.

There is another aspect of the dramatic miscalculation in the "full voucherization" strategy. These free cheques are virtually anti-money, an investment fiction. The purchase of vouchers even for a minimal price will compel the government to increase the emission of devalued money, thereby stimulating a new spiral of inflation and aggravating the lack of goods. Moreover, during the exchange into shares vouchers bring enterprises not a single ruble of "live" investment so badly needed by them. However, there appears a section of "new rentiers" who are not connected with production but have the right to dividends from profits thanks to the possession of shares.

This can only arouse protests from the workers of a given enterprise who in many cases may collectively own the controlling stock. What will happen then – a new redivision? Besides, experts think that vouchers may become a means of illegal mutual payment between private persons and commercial organizations. This will create a new fictitious money supply, undermine the country's financial system, and further discredit economic reform.

Conscious of this, the leaders of the influential parliamentary faction Civil Society have demonstratively refused to receive vouchers and called on others to follow their example. By this action they intend to dissociate themselves from the privatization carried out, as they say, by "essentially fallacious methods." The government is also not unanimous on this question. Minister of Industry Alexander Titkin believes, for instance, that privatization through vouchers can lead to the destabilization of production and wage levelling, and those who hope to grow rich will become poor. Titkin proposes giving priority in the distribution of shares to managers who "must become rich in order to have an interest in the administration of their enterprises." Anatoly Sobchak, St. Petersburg Mayor and a leading democrat, said the government must allow people to use vouchers for the privatization of housing and the purchase of land. In the opinion of Vladimir Isakov, coordinator of the parliamentary faction Russian Unity, vouchers are likely to cause "immense economic and moral damage" to the country. Instead of the full distribution of vouchers he proposes opening personal bank accounts for all citizens and transferring the funds gained through privatization to them. Some members of parliament call for raising the nominal value of vouchers to 200,000 rubles and even setting their price in dollars. The parliamentary faction Industrial Union insists on carrying out privatization through "lease with repayment," hoping to reduce it to the closed subscription to shares within enterprises.

These approaches can be assessed in different ways. Passions are running high over the voucher programme. This shows that the mere distribution of them without the necessary guarantees and substantial changes in the very concept of "voucherization" can only divert society from its urgent problems for a time. The influential *Nezavisimaya Gazeta* (Independent Newspaper) pointed out recently that in the long run the population may assess the government's actions as social humilitation and its patience will wear out. It is a very serious warning to which the government must pay heed during this extremely tense political situation created by the ever increasing cross-fire of criticism over its reforms. In the final analysis, the fate of these reforms is at stake.

Nikolai Garkusha

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STATE TAXATION SERVICE OF THE RUSSIAN FEDERATION
March 20, 1992, No. 8

INSTRUCTIONS ON APPLICATION OF THE LAW OF THE RUSSIAN FEDERATION "ON INCOME TAX ON INDIVIDUALS"

Continued from No.40

Section III. TAXATION OF INCOME DERIVED OUTSIDE REGULAR PLACE OF WORK (SERVICE, STUDY)

38. Any incomes, including those from entrepreneurial activities, that have been received by individuals, stimultaneously with income at the regular place of work (service, study), from other enterprises, institutions and organizations or individuals registered as entrepreneurs shall be taxed in keeping with procedures established by this Section of the Instructions.

39. Tax on income specified in Item 38 hereof and paid to individuals by enterprises, institutions and organizations shall be assesed and deducted by the latter on a monthly basis from the individuals' aggregate assessable income from the start of the calendar year at rates set forth in Item 20 above with the earlier withheld amount of tax (in case of repeated payments of income) taken into account.

Tax on incomes paid by individuals registered as entrepreneurs to individuals for the jobs performed by the latter under civil-law contracts shall be assessed in line with similar procedures.

At individuals' request, enterprises, institutions, organizations and individuals registered as entrepreneurs shall be obligated to issue such individuals certificates of the amounts of income paid to them and tax deducted therefrom.

The amount of the legally established minimum monthly pay and expenses on the upkeep of children and dependents in such cases shall not be subtracted from the income of individuals.

As to remunerations coming from abroad, as well as remunerations paid to the heirs (successors in rights) of authors (except for the authors of discoveries, inventions and industrial prototypes), income tax shall be deducted by the organization paying the remunerations on the territory of the Russian Federation.

Example. An individual with a regular place of work, who simultaneously performed a job at another enterprise under a contract of hiring work, was paid by the latter in January Rbs25,000 and Rbs27,000 in March. In such case, income tax shall be deducted from the individual in income payment to him as follows:

– tax on the income paid in January shall amount to Rbs3,000 (25,000 x 0.12);

– tax on the income paid in March shall be calculated as follows:

– the individual's aggregate income from the start of the year shall be worked out – Rbs52,000 (25,000 +27,000);

– tax on the aggregate income shall be computed – Rbs6,540; and

– the tax deducted on the January income shall be subtracted to work out the final amount of tax due – Rbs3,540 (6,540 – 3,000).

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Tax on incomes of individuals registered as entrepreneurs shall be assessed by tax agencies in keeping with procedures described in Section IV hereof.

40. Tax on incomes set out in Item 38 above shall be assessed and remitted in keeping with procedures laid down by Items 31-35 hereof.

41. Individuals who received income taxable in keeping with procedures described in this Section of the Instructions shall be obligated before the end of the year, during which they received such income, include essential data both about such income and about the income derived at their regular place of work in a declaration to be submitted by April 1 in keeping with established procedures to the tax agency for their permanent place of residence.

42. Enterprises, institutions, organizations and individuals registered as entrepreneurs that have paid individuals income subject to taxation in keeping with procedures described in this Section of the Instructions shall be obligated annually, no later than March 1, to report to the tax agencies in the areas where they are located, data about the amounts of income paid to the individuals during the past year and the amounts of tax deducted from such individuals, indicating the addresses of the individuals' permanent residence, in accordance with the format specified in Attachments No. 4 and No. 5 hereto.

This data may be sent also after each payment of income to an individual.

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The tax agencies shall pass on such data to the tax authorities located at the places of permanent residence of income recipients. The tax authorities shall take the data into account when checking the declarations submitted by the individuals on income received by them during the year.

43. In the payment to individuals by enterprises, institutions, organizations and individuals registered as entrepreneurs of author's remunerations and fees for the publication, performance or other uses of works of science, literature and art, and of remunerations for the authorship of inventions, discoveries and industrial prototypes, as well as in tax assessment of the year's aggregate income, documented expenses shall be taken into account. If these expenses cannot be confirmed by documents, they shall be taken into account in keeping with such procedures as have been established by the government of the Russian Federation.

44. Individuals deriving income from work for other enterprises, institutions and organizations and for individuals registered as entrepreneurs may in the course of a year independently assess their payable tax proceeding from their aggregate assessable yearly income and pay the difference between the amount of tax assessed on the aggregate taxable income and the amount of tax, which has been deducted by the enterprise, institution, organization or individual registered as entrepreneur, towards the budget at least once every three months. Such individuals shall be obligated to submit to the tax agency for their places of permanent residence statements about their payment of tax, indicating the places and dates of such payments.

Section IV. TAXATION OF INCOME FROM ENTREPRENEURIAL ACTIVITIES AND OTHER INCOME

45. In keeping with the provisions of this Section of the Instructions, the following kinds of income shall be assessable:

(a) the income of individuals registered as entrepreneurs without forming juridical persons. Entrepreneurial activities shall be understood to mean such independent activities by individuals on their initiative as are directed at making profit or achieving personal gain and pursued by them on their own behalf, at their own risk and within their own material responsibility;

(b) income received by individuals, who do not have a regular place of work (service, study), from enterprises, institutions, organizations or individuals registered as entrepreneurs on the basis of civil-law contracts; and

(c) other income of individuals not covered by Sections II and III above.

46. Individuals subject to taxation in keeping with procedures and amounts specified by this Section shall include, among others:

(a) individuals engaged, in keeping with legally established procedures, in self-employment entrepreneurial projects without forming juridical persons – with the sum totals of income from such activities to be assessable;

(b) individuals engaged in entrepreneurial activities as part of entrepreneurial collectives without forming juridical persons (as part of a general partnership) – with the sum totals of income from such activies by the entrepreneurial collectives to be assessable;

(c) individuals leasing or letting out structures, apartments, rooms and the like, garages, automobiles and other movables and real estate – with the sum totals of income derived from the leasing or letting out of such property to be assessable;

(d) individuals permanently resident in the Russian Federation receiving income from sources abroad – with the sum totals of such income to be assessable;

(e) individuals selling, by way of commercial activity, property owned by them by title – with the income derived from such activity to be assessable;

(f) individuals selling wild-growing berries, fruits, medicinal herbs and the like, mushrooms, fowl and other spoils of hunting, products of cage-based fur animal breeding (save nutrias and rabbits), cats, dogs, zoological feed, aquarium fishes and other products not rated as products of subsidiary smallholdings – with the income from such sales to be assessable;

(g) individuals selling goods made from the products of slaughter of cattle, rabbits, nutrias, other animals bred in cages, and poultry (hats, fur coats, leather goods, woollen goods and the like), either raised at their subsidiary smallholdings or bought; and

(h) individuals receiving income the taxation of which is not envisaged by other sections of these Instructions.

47. Assessable income shall be understood to mean the difference between the sum total of income received during a calendar year and the amounts of documented expenditures involved in the extraction of such income.

The expenditures directly involved in such income extraction shall include such expenses as have been confirmed by the tax payer with appropriate documents. The approximate list of such expenses is to be found in Attachment No. 1 hereto.

If an individual had expenditures involved in income extraction that are not included in the said list or if he cannot confirm the breakdown and amount of such expenses with appropriate documents, they shall be subtracted in amounts to be agreed upon with the tax agency concerned.

In such case, the amount of expenditures incurred in the year reported on shall not include the amounts of expenditures sustained in the preceding year.

In the case of an author's agreement for the creation, publication, performance or other uses of works of science, literature or art, the remunerations paid under this agreement in advance shall be summed up in final tax assessment and spread among the number of years during which the agreement was in effect. In the absence of such agreement, the amount of royalties received for work done over a number of years and exceeding Rbs42,000 shall be spread, at the tax payer's request, among three years and assessed as part of the yearly aggregate income during the calendar years for which the individual is accounting, with the tax previously levied in those years taken into account. Similar taxation procedures shall apply to the amounts of remunerations received by the authors of inventions, discoveries and industrial prototypes during the first year of the use thereof.

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48. In income taxation of individuals, who did not have any regular place of work (service, study) during the year reported on, the amount of income received by them shall be reduced by the amounts of expenditures specified by Items 9, 10, 11 and 13 above for each full month, during which income was received, on the basis of a written request to be filed by the individuals. If an individual had a regular place of work (service, study), such subtractions from income shall not be made.

If income was received from several enterprises, institutions, organizations and individuals registered as entrepreneurs, subtractions shall be made, at individuals' choice, only at one place where income was received. Should an individual take advantage of subtractions in two or more places, the amounts of such subtractions made at more than one enterprise shall be regarded as income concealed from taxation.

Final tax assessment shall be performed by tax authorities upon a year's end on the basis of declarations to be submitted by individuals and of other data at the tax authorities' disposal.

49. Tax authorities shall assess tax on the aggregate taxable yearly income of individuals enumerated in Item 45 above at rates specified in Item 20 of these Instructions.

50. Taxation shall be based on:

– individuals' declarations of income actually received by them during a year;

– findings of checks conducted by tax agencies on individuals' activities; and

– data received from enterprises, institutions, organizations and individuals using the labour of individuals as regards the amount of income paid out to them.

Tax assessment shall be made by tax authorities at an individual's permanent place of residence or, if his activities take place elsewhere, at the place of this activity, with the tax agency in the area, where the individual has his permanent place of residence, to be notified about the amounts of income and tax by all means.

51. Individuals shall pay their taxes in keeping with the following procedures:

– during the current year, payers shall pay installments equalling one-third of the year's amount of tax assessed on the basis of income received during the previous year, while those paying their taxes for the first time shall pay installments amounting to one-third of their expected income in the current year. The deadlines for advance tax payments shall be June 15, August 15 and November 15. Advance tax payments shall be made on the basis of a payment notice to be handed to a payer by the tax agency that assessed the tax. Should a payer's income during the year substantially increase or decrease, the tax agency concerned shall reassess the amount of tax at his written request for the future payment deadlines;

– after the year is over, tax agencies shall assess tax on the year's aggregate income received from all sources, including income for any work performed for enterprises, institutions, organizations and for individuals registered as entrepreneurs. A payer shall be obligated to report all income received during the year in a declaration to be filed with the tax agency concerned. The difference between the amount of tax paid (deducted) for the year reported on and the amount of tax on the year's aggregate actual income shall be exacted from payers or returned to them by tax agencies no later than June 1 of the year following the year reported on.

52. Enterprises, institutions, organizations and individuals registered as entrepreneurs that make payments to individuals not registered by tax authorities as payers, the income of which shall be taxed in keeping with the provisions of this Section, shall withold income tax on payments at the rates specified in Item 20 above.

In order to rule out double taxation, tax shall not be collected at source of income paid to individuals upon presentation thereby of a document (certificate of state registration as entrepreneur) confirming that their income from such activity in the current year has already been taken into account by a tax agency.

If individuals do not have such document, tax on amounts paid to them, including income from commercial activities, shall be withheld by enterprises, institutions, organizations or individuals registered as entrepreneurs.

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Enterprises, institutions, organizations and individuals registered as entrepreneurs shall be obligated to report such income and the amounts of tax deducted or, if tax has not been levied, the reasons why it has not been levied (number and date of the document and name of the issuer) to the tax agency in the area, where they are located, on a montly basis in accordance with the format specified in Attachment No. 4 hereto.

Tax agencies shall send this data to the tax authorities for the places of individuals' permanent residence to cause taxes to be collected correctly and fully.

The amounts of tax withheld at the place of income payment shall be taken into account by tax authorities in tax assessment.

Section V. DISTINCTIVE FEATURES OF TAXATION OF FOREIGN NATIONALS AND STATELESS PERSONS PERMANENTLY RESIDENT IN THE RUSSIAN FEDERATION

53. Incomes of foreign nationals and stateless persons (hereinafter referred to as foreign individuals) deemed permanently resident in the Russian Federation shall be subject to income tax at rates established by legislation in effect in the Russian Federation for the taxation of similar income of the Russian Federation's individuals permanently resident in the Russian Federation.

Incomes of private companies shall be regarded as the income of the owners thereof. For the purposes of taxation, a foreign individual owning any economic entity, the income of which in the country of its permanent location (registration) is subject to corporate income tax or similar taxes (which fact must be confirmed by tax authorities of the country the nationals of which the company owners are), shall not be regarded as the owner of a private company.

54. The assessable income of foreign individuals permanently resident in the RSFSR shall be determined in keeping with the same procedures as apply to the assessable income of RSFSR individuals permanently resident in the RSFSR. A year's assessable income of foreign individuals shall also include:

(a) the amounts of bonuses paid in connection with their stay in the Russian Federation; and

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(b) the amounts paid in compensation for expenses on education of children at school, on meals, trips by the payer's family members on vacation and for similar purposes.

A year's taxable income shall not include:

(a) the amounts deducted by the foreign individual's employer towards the state social insurance and pension funds;

(b) the amounts of compensation for spending on renting housing and on the upkeep of an official car; and

(c) business travel expenses. The amounts paid by employers in addition to wages/salaries of foreign individual for each day of stay on the territory of the RSFSR shall not be regarded as compensation for business travel expenses, except for cases where such expenses are connected with the foreign individual's travels in or outside the RSFSR. Such payments shall be deemed an addition to the foreign individual's wage/salary and included in his taxable income in full for the entire period, during which such payments were made. Amounts paid by enterprises, institutions, organizations and individuals in compensation for business travel expenses to technical specialists from among foreign nationals in connection with their work in the Russian Federation shall not be included in their taxable income if the payment of such amounts has been envisaged by the appropriate foreign-trade contract.

55. Incomes of foreign individuals permanently resident in the Russian Federation shall be subject to income tax at the rates established by Item 20 hereof.

56. Incomes of private company owners drawn from such companies shall be taxable in keeping with procedures and in amounts set forth in Section IV above.

57. Foreign individuals permanently resident in the Russian Federation and drawing profits both in and outside the Russian Federaiton shall submit declarations of income received by them in accordance with the format specified in Attachment No. 9 hereto.

Declarations of incomes actually received and expected shall be submitted by April 1 of the year following the year reported on to the tax agency at the foreign individual's place of residence in the Russian Federation or, if his activitiets are carried out in a different part of the Russian Federation, to the tax agency there.

A foreign individual shall submit a declaration of his expected income in the current year within a month of arrival in the Russian Federation. If a foreign individual plans to stay for a period or periods exceeding a total of 183 days in the next calendar year, he shall turn in a declaration of expected income for the entire next calendar year.

Private company owners shall submit their tax returns in accordance with the format specified in Attachment No. 9 hereto.

Should a foreign individual end his activity in the Russian Federation and leave its territory in the course of a calendar year, he shall be obligated to submit a declaration of income actually received during his stay in the Russian Federaiton no later than a month before his departure.

58. Income tax on foreign individuals shall be assessed on the basis of income declarations by the tax agency in the area, where the payer engages in his activity or resides in the Russian Federation. The document for tax payment shall be the payment notice sent to the payer by the tax agency.

Based on his declaration of expected income, an advance amount of payable tax equalling 75 percent of his tax liabilities shall be assessed for the payer. The amount of tax shall be reassessed on the basis of data on his actually received income.

Income tax during the year shall be paid in three equal installments – by May 15, August 15 and November 15. Extra payments required after tax reassessment for the current year shall be made within one month of the date on which the payment notice has been made out. Overpaid amounts of tax shall be returned to the payer or set off against future payments, as wished by the payer.

The overpaid amounts of tax shall be returned by the tax agency that has taxed the individual.

59. Subtractions from the income of foreign individuals subject to taxation shall be made in keeping with procedures and in amounts established for Russia's nationals. Foreign individuals entitled to the detraction of the amount of expenses on the upkeep of children and dependents shall, in order to exercise the privilege, accompany the declaration with documents confirming that they have children and dependents. The documents shall be certified by the appropriate agencies of the country, in which the payer was permanently resident directly before arriving in the Russian Federation, or, should his children and dependents reside in the Russian Federation, be submitted in line with procedures established by Item 13 hereof.

60. The following categories of foreign individuals shall not be subject to income taxation:

(a) heads, as well as staff members, of foreign states' missions, who have a diplomatic or consular rank, members of their families living together with them unless they are individuals of the Russian Federation – shall be exempted from taxes on all income, except income from sources in the Russian Federation not connected with diplomatic or consular service;

(b) administrative and technical personnel of a foreign state's mission and members of their families living together with them unless they are individuals of the Russian Federation or are permanently resident in the Russian Federation – shall be exempted from taxes on all income, except income from sources in the Russian Federation not connected with diplomatic or consular service;

(c) support personnel of missions who are not individuals of the Russian Federation or are not permanently resident on the territory of the Russian Federation – shall be exempted from all taxes on income received for in the line of duty; and

(d) staff members of international organizations – shall be taxed pursuant to charters thereof.

61. Income taxation of foreign individuals may be terminated or limited in conformity with the international treaties of the Russian Federation and the former USSR, as well as on the basis of the principle of reciprocity, should the respective foreign state adopt the same measures towards the individuals of the Russian Federation, which fact must be officially confirmed by central taxation agency of the foreign state. In such case, exemption from income tax shall be based on a decision taken by the Russian Federation Ministry of Economics and Finance.

(To be continued)

MOSCOW BUSINESS WEEK

FUZZ is not simply clothing

A prosperous American tradesman said, a man can grow rich by producing millions of what people like. Mr Parvinder Malony is of a different opinion. The garments sold in his 11 FUZZ shops in Montreal impart a new charm to women. "In my shops, women can dress in a way as if each article was made specially for them," he said during his stay in Moscow. "We change our collection four times a year. Montreal and Moscow have a similar climate, and I think our garments will also fit the Muscovites."

Mr Malony has travelled to many countries, and recently he came to Russia. He honestly admitted that before this trip he had no idea of how people dress in Russia and how much it costs them. "Of course, the average level lags behind Western fashion, and it's a pity to see so many charming women who can't buy the clothes they like," he went on. "I'm sure that Russia is blessed with such beautiful girls. They should only be given a chance to be more beautiful."

Mr Malony is a good judge of fashions, and not fashions only. For almost 20 years he has been engaged in business and design. The aim of his trip to Moscow is to find partners who would take interest in his ideas and proposals. In the future, he plans to open shops in the Russian capital. Incidentally, Mr Malony took the name for his firm from French slang. The word "fuzz" means simply clothing in the broad sense.

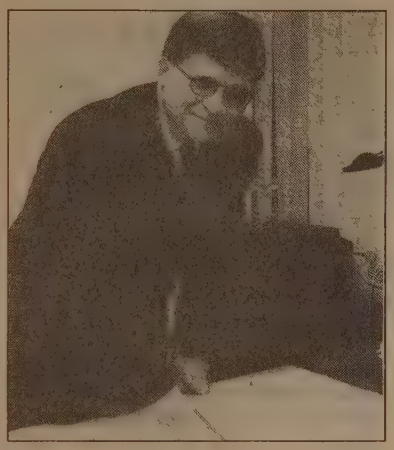
Five-star hotel faces the Kremlin

The Hotel Baltchug Kempinski Moscow will welcome its guests after the three years of construction. With its first-class Europe-oriented luxury it does not only set new standards among the Moscow hotels, but also intends to distinguish itself as a platform for international economic and cultural dialogues.

The Hotel Baltchug Kempinski Moscow will be the 15th hotel of the Kempinski Group abroad, but the first on the territory of the former Soviet Union. Presently, about 200 craftsmen are working full speed so that the hotel will open as scheduled.

The hotel lies directly on the bank of the Moskva River. Only few steps over the Moskvoretsky Bridge will take you to the Red Square and the Kremlin. Many famous sights, museums, theatres can be reached on foot from the hotel, even the most important authorities are nearby.

Built behind the historical walls of the



former Hotel Novomoskovskaya, later Hotel Bucharest, Baltchug Kempinski is a showpiece even from the outside. Behind the classical façades from 1898 hotel inside has been constructed completely new.

The hotel intends to become one of the most fashionable hotel addresses in Moscow from the very beginning. Needs of the main group of potential clients, the businessmen, were specially attended to. Easy check-in is provided at the Lufthansa counter in the lobby.

It should be added that the opening of the new hotel is the result of the active work by the Joint Venture Baltchug, created in December 1991. The members of the JV are: Moscow Government Municipal Housing Department; Kempinski Hotels S.A., Geneva, Switzerland; Girokredit Bank AG des Sparkassen, Vien, Austria. The Moscow participant donated the land and the building and owns 69 percent of the capital.

Guarantees for investments in Russia

The US governmental Corporation for Private Investments Abroad announced its readiness to offer insurance guarantees to the US companies planning to invest in the Russian economy. Apart from insurance guarantees of political risks in Russia, the corporation may also offer credits to individual commercial projects.

The corporation stimulates trade and economic cooperation between the United States and friendly countries. At present US companies get insurance guarantees when investing in eight former Soviet republics. They are: Armenia, Kazakhstan, Kyrghyzstan, Ukraine, Russia, Latvia, Estonia and Lithuania. Similar agreements are planned with Moldova, Georgia and Belarus.

Mitsubishi Motors has faith in Russian market

Mitsubishi Motors, one of Japan's major auto firms, is more active in Russia's market nowadays. Thus the Rolph JV, the company's official dealer in Russia, has received several new Sigma cars, specially designed for the Russian home market. Also slated over the immediate future are shipments of a large batch of Pajero jeeps. The more intensive scale of operation is due to Mitsubishi Motors successful showing at the Autotekника-92 Exhibition in Moscow in May.

Until lately Mitsubishi Motors did not vend its cars in Russia as it sought to immediately ensure a high standard of servicing. Moscow currently has an Auto Service Center which offers guaranteed and other servicing for Mitsubishi Motors cars. According to some sources, Mitsubishi Motors earlier advised its European dealers not to sell cars for reshipment to Russia. It acted thus to protect its reputation after several Russian JVs and firms, as for instance, the Sovavto-Capital JV and the Resource Firm, had offered its cars for rubles but without guarantees and prices several times in excess of nominal cost. Thus a Mitsubishi Pajero was priced at between 7 and 8 million rubles, though the Rolph JV prices it at 3.5 million rubles, while for the Galant the price of 4 million rubles was asked, though nominally it costs 2.2 million rubles. In Russia European Mitsubishi models soon break down if not vended for guaranteed repair.

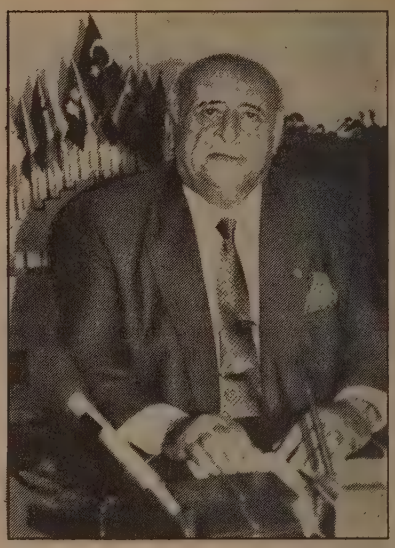
No time to lose

Immediately after the law of Ukraine "On Foreign Investments" was adopted, 130 Joint Ventures with the amount of foreign investments about $12 mn. were registered in the Republic. As of now, the number of JVs in the Ukraine makes up to more than 400.

Exclusive for New Times International

"Our relations with Russia are very satisfactory"

Turkish Prime Minister Suleyman DEMIREL interviewed by our correspondent Yakov Borovoy



New Times International. Mr Prime Minister, perhaps, you can be regarded as a world champion in winning elections. You have won them seven times. But on two occasions the army ousted you in a coup. Why do you feel so confident?

Suleyman Demirel. In spite of various drawbacks, the steps towards democratization in Turkey are irrevocable. Some think that military coups can be instrumental in overcoming instability and crises which occur from time to time in all democratic societies.

In those sad and anxious days, in a Turkey subdued and depolitized, it was thought that problems could be overcome by a military coup.

Our painful experience has shown everyone that it is not possible to overcome crises by undemocratic methods.

The fact, that Turkish society has chosen democracy, even after those trying times which opened serious wounds, is a measure of its devotion and dedication to a democratic regime. The consideration the nation has shown to me after each of these crises is a manifestation of this dedication.

Today, on the one hand, we are working to make up for what we lost during the periods when Turkey strayed from the democratic path, and on the other, to allow Turkish society to breathe the air of freedom and democracy.

Our democratization targets are known and in our efforts to achieve them we have the ever-increasing support and solidarity of the nation.

Therefore, I am sure that in the future democracy will not encounter any interruptions.

The sound judgement and perception of our nation and its support for our democratization efforts are the best guarantee of success.

NTI. The Moslem secular states of the East are now under the powerful pressure of Islamic fundamentalism. Is also Turkey under the same pressure? Is there still a possibility to preserve the unique Turkish republic, Moslem in spirit and secular in form?

S.D. As long as poverty, discrepancies in wealth and social welfare levels and repressive political systems persist, fundamentalist currents will always find fertile soil for their expansion.

Fundamentalist bigotry can only be eradicated by impelling its proponents to join the mainstream of political life.

Secularism and democracy must be encouraged in the Mediterranean basin by reducing political tensions within and between societies and increasing regional and international political, economic and cultural cooperation.

Turkey, as a secular democracy, is naturally concerned with all political trends and currents which run counter to the requirements for the smooth and orderly functioning of democratic regimes. This approach on Turkey's part is valid on a global scale. In effect, we are concerned about all types and ideologies of fundamentalism throughout the world. In this context the Turkish state is equidistant from all religions and their sub-denominations. This fact draws on a centuries-old tradition of religious tolerance to those who profess all faiths.

Turkey is a shining example of how an islamic country can grow into a secular and democratic state in line with the standards of present-day society.

Turkey has demonstrated through its experiences that Islam and democracy are not mutually exclusive. The liberal secular and democratic model presented by Turkey is being rapidly adopted by the newly-independent Moslem republics of the former Soviet Union as a means to accelerate their integration into the international community.

NTI. This year has been marked by the unprecedented Turkish "offensive" on the republics of the former Soviet Union, especially diplomatic and economic "offensive" on the Moslem republics. Some of the Russian politicians and mass media regard this phenomenon as a threat to Russia's national interests. Please, clear up the situation.

S.D. Between 1960 and 1973 Turkey pursued a strongly inward-oriented state-led strategy of growth. During this period the usual instruments were tariffs and quantitative restrictions on imports, an overvalued exchange rate to facilitate imports of intermediate and investment goods, strong government intervention in the product markets through direct price controls.

In the late 1970s, due to the inability of the system to cope with external shocks, the Turkish economy passed through a very serious crisis.

In January 1980, the Turkish authorities embarked on a major stabilization and reform programme, representing a sharp break from earlier policies of market intervention, import substitution and reliance on the public sector. The aim was to improve the balance-of-payments position, restore international creditworthiness and economic growth through greater reliance on market and trade liberalization. These policy shifts first affected foreign trade, then financial markets and, finally, capital movements. To this end, rigid controls over exchange rates, interest rates and prices were abolished, the import regime and regulations with regard to foreign direct investment were liberalized.

New financial reforms paved the way to free interest rates, which, in turn, mobilized domestic savings and stabilized the economy. In this respect gradual income tax reductions stimulated a boom.

Since industrialization is the sole method to bring about satisfactory growth, the decision was taken to have an internationally competitive private sector. This is to be achieved through improved economic and social infrastructure with priority being given to technology transfer.

Turkey has always been respected for its tolerance to all religions. It is proud to be a

model for the newly independent Turkic states of the former Soviet Union, and it has been the first to recognize them. Its relations with them have been based on respect for sovereignty, territorial integrity and non-interference in the internal affairs of other states. Its relations with these states should never be regarded as a Pan-Turkish approach.

Relations with the Russian Federation are on a highly satisfactory level. They lead to economic development and stability in this part of the world.

The Black Sea economic cooperation project is a recent example of the steps taken for even more closer cooperation with the countries involved. In this respect Turkey has also recognized Armenia and invited it to be a founding member of the Black Sea economic cooperation project.

NTI. The idea of the Turkic Unity enjoys wide popularity in the former USSR. Does Turkey support this idea and doesn't it mean a deviation from Mustafa Kemal Atatürk's precepts? As far as I know, he restricted the national Turkish interests to the borders of the Turkish Republic.

S.D. Turkey is willing to have friendly relations with all the newly independent states of the former Soviet Union on the basis of respect for sovereignty and territorial integrity, non-interference in internal affairs, equality and mutual benefit. It is with this understanding that Turkey was the first country to recognize all these states. Our relations and cooperation are developing in a very satisfactory way with nearly all these countries and the Russian Federation. Our policy is to contribute to economic development and to stability and peace in this part of the world.

On the other hand, we have special historical, cultural and linguistic ties with some of the newly independent states in Central Asia and the Caucasus. Taking into account this background and the fact that they are in a very difficult transition period, we are providing them assistance and support in different fields in order to contribute to their efforts in carrying out political, economic and social reforms and development. We are encouraging them to establish their national structures on the basis of democracy, respect for human rights, secularism as well as a market economy. It gives us a great pleasure that they look up to Turkey as a model to be followed. We also note with satisfaction that they are establishing relations with third countries as well as international organizations, and developing relations of friendship with the Russian Federation and other neighbouring countries.

Turkey's relations and cooperation with these sister countries are based on sovereignty and equality. These relations of cooperation will be further increased and strenghtened to the benefit of our peoples. In this framework I would like to point out that the mutual interest as well as the political will for closer links between Turkey and these newly independent states are natural. They do not represent any Pan-Turkish approach and should not be interpreted in this way.

Our relations with the Russian Federation are also very satisfactory. We are strengthening our cooperation at bilateral as well as multilateral levels. The Black Sea cooperation zone initiative constitutes a recent example. During my visit to Russia in May 1992 I signed with President Yeltsin a treaty which sets the basic principles of relations between Turkey and the Russian Federation. In a joint communiqué issued at the end of my visit, Turkey and Russia noted with satisfaction the common approaches they share in their relations with CIS member states, in particular with the Central Asian countries, and expressed their desire to contribute jointly to the economic and social development of CIS member states. I think this paragraph of the joint communiqué sums up the two countries' policies and approaches very clearly.

I would like to stress that Turkish foreign policy is always guided by the universally valid principles set forth by Atatürk. Our relations with the Turkic republics and our interests in this part of the world are not in contradiction with any third country.

NTI. With a strongly pronounced pro-Azeri stand in the dispute over Karabakh can Turkey play a role of a fair dealer in this region? Is it possible to imagine in the near future the restoration of normal good-neighbour relations with Armenia? What steps should be taken in the first place?

S.D. Turkey maintains historical, cultural and linguistic ties with Azerbaijan. Yet, it would be utterly misleading to define Turkey's stand in the dispute over Nagorny Karabakh as pro-Azeri. Turkey has displayed an even-handed approach with regard to the Nagorny Karabakh problem and, since the initial stage of the crisis, urged both parties to show restraint and settle their differences peacefully. In this respect Turkey has given full support to international peace efforts, including the CSCE missions and participated actively and constructively in the Rome emergency meetings.

On the other hand, Turkey attaches great importance to the establishment of good relations with all its neighbours. In this context it recognized Armenia simultaneously with the other republics after they declared their independence. Since then we have had several high level contacts with the leaders of Armenia. A high level foreign ministry delegation is currently visiting Yerevan to discuss all issues of mutual concern. We also invited Armenia to be a founding member of the Black Sea economic cooperation, thus demonstrating once again our intention to establish good relations with Armenia.

It is now up to Armenia to take the necessary steps for the further development of our relations. These measures include the cessation of hostilities in Nagorny Karabakh and the evacuation of the occupied Azeri territory. Armenia will also have to adopt a more cooperative and constructive approach to the Rome emergency meetings of the Minsk Group.

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A mechanized canteen,

or how Moscow municipal authorities make decisions, and what comes of them

Reelections of the Moscow Mayor are just around the corner. Are they, really? No one can tell. Not even those who claim this post and are already conducting the election campaign.

The Moscow Soviet deputies say they want a new Mayor, and have scheduled the elections for December, 1992, but the Mayor himself says he is doing quite well. The Deputies appeal to the Public Prosecutor, but the latter takes the Mayor's side. The conflict between the Deputies and executive power has not erupted into a juicy scandal. All the blame for that goes to the Muscovites who just cannot make head or tail of the quarrel and do not know whom to side with – the Deputies or the Mayor. All one can tell for certain is that those in high places are arguing over who is to make decisions in Moscow. As soon as the Mayor decides for some line of action, the Deputies decide against it. And vice versa: the Mayor ridicules the Deputies' decisions and dismisses them as "impractical."

Far be it from me to try and settle the high-level dispute: I am not allowed into the corridors of power. The Municipal Council and the Moscow Soviet are off limits to me just as they are to any other Muscovite. Nevertheless, in order to feel involved in public life, I have studied two resolutions adopted by the Moscow Soviet's executive committee at the time when the Deputies and Moscow Soviet bosses were going together hand in hand and neck in neck and when legislative executive powers were not divided.

The first resolution

On May 20, 1990, staff members of the city and region executive committees got together in the Moscow Soviet building at Sovetskaya Square. Resolution No. 912 they adopted then was signed by Yuri Luzhkov for Moscow and Anatoly Tyazhlov for Moscow Region.

The Resolution had a long heading but came to be popularly known as a "show-your-passport" rule. It said that in Moscow food and consumer goods were to be sold only to the bearers of Moscow-registered passports. This idea was nothing new – "passport trade" had become common practice in Estonia by then.

In a television appearance, Gavriil Popov, then the head of the law-making Deputies, said the measure was necessary and could not be helped. The statement reconciled many with that provincial idea: well, they want us to show our passports in the food stores, so what, we'll do that so long as they sell us food. Popov was popular. People trusted Popov.

Now, however, as we scrutinize this resolution, we recognize those adopted by the Moscow City Executive Committee of old – impracticable, fallacious even. Resolution No. 912 contains many paragraphs and words, but it does not say a word about the main thing – how to increase the output of consumer goods? Instead, it makes it incumbent on the "house management offices" to issue certificates, as passport substitutes, to young people under 16. Nobody counted such certificates then, but people began to storm house management offices.

The resolution rules further that the trade executives of Moscow and Moscow Region should work out another trade procedure which would "protect the interests of the residents of the Moscow region." It did not specify, though, whom their interests were to be protected against. Presumably, from those coming from other parts of the country. The Resolution said it should lose validity within two weeks – why was it adopted at all then? We had waited for 73 years before, and could have waited for some more.

"Special stores are to be opened for the benefit of residents of other regions," Paragraph 2 of the Resolution says. The idea of it! Short as Moscow and Moscow Region were of stores, the authorities intended to reserve some of them for "residents of other regions"!

That was an unrealistic proposition, and no special stores were opened, of course. Nevertheless, Resolution No. 912 immediately antagonized Kaluga, Tver, Yaroslavl – all Russia, in fact – plus the Ukraine, Georgia, etc., towards Moscow. Moscow, which had drawn its food supplies from all parts of the country, began to discriminate against non-Muscovites. The other cities took offence and stopped sending food to Moscow and raw materials for its factories: the flow of milk to Moscow dairy factories and of frozen meat blocks to Moscow meat-packing plants ceased...

We said then that democratic Moscow was blockaded. Actually, the habitual commodity turnover was cut short by Resolution No. 912, and not restored ever since.

Resolution No. 912 made law-enforcement agencies, trade unions and public control bodies responsible for the observance of the "show-your-passport" rule. The entire somnolent officialdom was put on the alert against a crime wave likely to be stirred up by "show-your-passport" trade practice.

The question arises: if an innovation is feared to cause a rise in crime, why introduce it? Well, compared with the alienation of the nearby and remote cities which used to feed Moscow and to maintain its status as the nation's capital, this is a mere trifle, a case of bureaucratic overcautiousness.

Drawing by Victor Poroklnya

The second resolution

In exactly two weeks' time, the executive authorities of Moscow Region got together to discuss a substitute for the passport in shopping. An "identification card" was suggested. Such cards had long been used in small towns in the Baltics before. In Moscow, with its nine-million population, "identification cards" were introduced under Resolution No. 1016. 1016 minus 912 is 104. This is how many resolutions were adopted by Moscow's executive authorities, headed by Yuri Luzhkov, over just twelve days!

Just a few words about the efficiency of the executive authorities. The officials of the Moscow Soviet's executive committee adopted many decisions. They are still at it, believing in earnest that their job boils down to adopting resolutions. Yuri Luzhkov answers any question as follows: "Yes, we adopted a resolution on the matter at a Moscow government session..." Or: "The government is now looking into this matter and will adopt a resolution on it..."

Fully grown-up people come together, write a resolution and then go away contented. They call themselves a "government of Moscow," but this is actually the Moscow City Executive Committee of old, preserved almost intact.

In the protocol department of the Moscow Soviet building in Sovietskaya Square, severe-looking ladies looking like archivists were snowed under with "Resolutions" in the summer of 1990 and had a hard time registering, xeroxing, circulating and filing them: all the shelves and desks in their offices were piled high with papers headlined "Resolution." It looked as if the paper blizzard came from an anonymous resolution-making factory in full swing.

"This avalanche threatens to bury us!" an archivist not used to senseless work exclaimed. "No end of Resolutions! We don't understand anything any longer. But look," she pointed to the cityscape outside, "no one is sweeping the streets anyway..."

Now, two years later, the streets still remain unswept. This little story which has interrupted the narration about the confrontation between legislative and executive authorities, is supposed to give the reader an idea of how the latter work.

According to Resolution No. 1016, "identification cards" were to have been introduced in Moscow on July 1, 1990. August came, but the cards were not ready yet. Nevertheless, the zeal of the authors of that resolution was really killing. "Identification cards" were issued even to the personnel of foreign embassies, foreign business companies, foreign bank and airline offices... "Identification Card Distribution Commissions" were set up. They were to function under the general supervision of the Deputy Chairman of the District Executive Committee, and staffed with the clerks of the "house management organizations."

Money was transferred to the State Administration for the issue of Banknotes (Goznak) as payment for the printing of the "identification cards," but the sum was not specified; instead, an old-style instruction was enclosed with the money order, saying: "At the expense of the budgets of the Moscow City Executive Committee and the Moscow Region Executive Committee." Unlimited amounts of excellent-quality paper were supplied to the Goznak...

The innovators did not stop at that. They redoubled their efforts. The house management office clerks got a rise in pay. They were to fill in at least nine million cards: "Name... First name... Middle name... Place of residence (no detailed address...)" (I quote Resolution No. 1016). Photographers had their hands full: every card was to carry the bearer's picture... Nine million, indeed! Add to this foreigners, students from all over Russia, those staying in Moscow on business, newly-born babies – and the result will be 12 million, at least. But even this is not the end of it.

It turned out that while we were busy working, the "house management organizations" compiled, jointly with the law-enforcement agencies, "lists of addresses of permanent and temporary residents of Moscow"! As a matter of fact, that amounted to a population census (a quiet one as compared with that carried out a year ago). The lists were to bear, I quote, "the signatures of the accountant, the passport clerk, the head of the house management office, and a seal was to be attached to them" – can you imagine that?

Who says that our people are too lazy? This is slander!

Epilogue

The passports and the "identification cards" for shoppers are now as good as forgotten all about. Those who thought up that shopping procedure and tried to put it into practice still keep their seats in the "Moscow government," department and municipal council officials. Yuri Luzhkov holds two executive posts: that of the city's Prime Minister and that of the Mayor.

The Deputies are fighting against Yuri Luzhkov personally and against the present executive authorities in general. They want to return to the 1990 model of power-sharing, with the Deputies adopting decisions and the executive authorities "putting them into practice." This model, however, had collapsed back in 1990: the executive authorities who had always done without the Deputies and adopted their own resolutions did not wish to wait for the Deputies to gather and to look into this or that matter. In Moscow there are 14 departments, 13 committees, 18 executive and ordinary boards, 14 other organizations like the overstaffed Moscow City Telephone Network, Moscow Metropolitan Railways, Moscow Energy System – with offices everywhere and office clerks without number. They cannot wait for the Deputies to give them jobs.

The conflict is not closed. Either side is eager to boss it. Each regards itself as the brain trust of the city. Each side knows all the answers. Any problem is elevated to the rank of a baffling solution so as the contribution of those who have thought it over and adopted another "Resolution" should look weightier. And neither side would admit that Moscow has no use for the "Resolutions" at all.

In any city across the world municipal authorities confine themselves to control over street cleaning and city transport services, police and – in some cities – over the trading and health systems, and the like.

Moscow's municipal authorities have not even got around to any of these functions. They insist that Moscow is a "special case," that the authorities have much more to do here, that there is the privatization programme to be carried out, to begin with. Within living memory, the British government has privatized industrial enterprises, and the Japanese government, railways – without much ado.

In Moscow, the talk about privatization has been on for years, but no progress has been made towards it; foreign consultants keep coming and going, but privatization remains at "talk stage." The whole thing boils down to the privatization of stores, canteens and everyday service shops, but Moscow's municipal authorities seek to create the impression that this is an all-out effort involving the labour and employment departments, public education and energy systems, the media, foreign trade, transport, telecommunications and finance services... Under the pretext of mythical privatization, no changes are made in the life of the city.

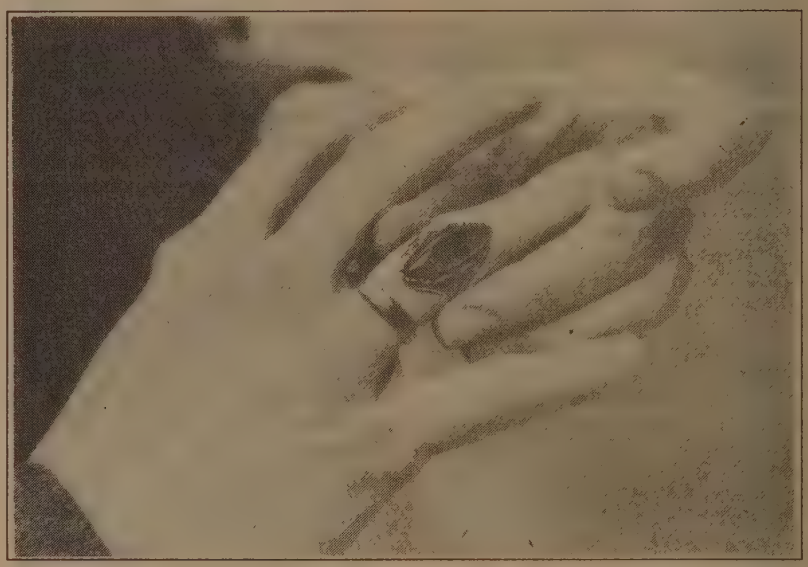
Difficult as the tasks facing the Moscow authorities may be, the whole trouble with them is that they suffer from the old malady of self-importance. The range of municipal duties, accepted in the rest of the world, appears too trivial for the figures of their calibre. They feel it to be their inner calling to adopt "Resolutions." "Resolutions" which are to be followed by Accomplishments, with the population fulfilling its far-sighted leaders' plans in serried ranks. As to the leaders themselves, they have fallen into the state of permanent struggle for the right to adopt "Resolutions" and to flood the Protocol Department of the Moscow Soviet with them.

Resolutions Nos. 912 and 1016 go to show, once again, that there are no good "Resolutions." They have left Moscow without food for two years. When the food situation will come back to normal is anybody's guess. And it is rather hard going without food, you know.

Vyacheslav Baskov

Dying for amber

Königsberg is no more than the trademark of the same old Kaliningrad



A couple of kilometres of sandy coastal terrain surrounded by barbed wire is the richest place in the Baltics. Here, 40 km off Kaliningrad, 90 percent of the world's deposits of amber, semi-precious stone and excellent natural insulator, lie in bluish clay.

Amber-diggers come in flocks

Diggers arrive at the amber quarry by night. Sometimes they manage to find a common language with the guardsmen; if not, the barbed wire is no obstacle to them.

Armed patrols have the right to open fire, but more often amber-diggers die not from bullets, but from sand which they get buried under. During the last year and a half, 16 diggers have fallen victim to "amber fever." According to those well informed, 200 to 300 people descend into the amber quarry every night. In a couple of hours one can gather 10 to 12 thousand rubles worth of amber, being equipped with an electric torch and a spade.

Now as always, amber is mined and treated by the state-run integrated works Yantar. Practically all the factory's output is exported, as well as what is found by amber-diggers, through Lithuania to Poland and then God knows to where. As before, the destination of most amber consignments is the East, Japanese market places.

Apart from police, the way to the amber quarry is controlled by the "amber mafia." If the police fail to intercept a digger, racketeers will; if not by night near the quarry, then in daytime at the black-market in the city of Primorsk.

The nomenklatura sharpen their knives

There are many well-to-do people in Kaliningrad, and enough rich ones too: over 200 joint ventures, dozens of foreign-trade firms and stock exchanges dispose of so much hard cash that Moscow businessmen once came there to borrow money from them.

There are also **very** rich people in the city. For some reason their names were mentioned to me in wisper and in very reverential tones. True, none of my interlocutors dared associate their wealth with the proclaiming of the Free Economic Zone Yantar a year ago.

On the surface, there is no connection, for the zone hasn't yet started functioning. It is the brainchild of a former commander of a border-guard ship, Yuri Matochkin who, after heading the local administration, became at the same time a hostage of ineffective economic reform.

At one time, Yuri Matochkin rejected a prestigious post in Moscow, because he wanted to live and work for the benefit of the region. He became an economics professor. Economic freedom for Kaliningrad was the main jist of his electorial campaign to Russian parliament. First Secretary of the Regional CPSU Committee Yuri Semyonov who, incidentally, also tried to convince his electorate of his devotion to economic reforms and who also became a Russian MP, was regarded as Matochkin's main rival.

Very little changed in their opposition after the August putsch of 1991, although Matochkin won support by the President of Russia, and the Regional Party Committee is no more. According to calculations by local journalists, 85 percent of deputies of the Regional Soviet (i.e., practically all local legislators) are former Party functionaries and factory managers. At that, Yuri Semyonov, formerly Communsit No. 1 of the region, is the head of the Soviet.

This is how assistant head of the local administration, Grigory Furman, described the conflict between political forces in the Kaliningrad Region: "The administration supports Yeltsin and Gaidar, whereas the Regional Soviet which sides with parliament, rejects many of the present realities. The old *nomenklatura* is rather strong in the region and it likes to sharpen its knives against its administration."

By way of illustration: Matochkin delivers a package of proposals to Boris Yeltsin which are intended to give the local administration a free hand in carrying out economic reforms and obtains the President's resolution: "To be unfallingly supported." However, a delegation of the regional Soviet led by Semyonov immediately sets off to Moscow and negotiates a postponement for passing a resolution on the Kaliningrad Region with the Speaker of parliament.

The confrontation between the executive and legislative powers in the region could have been explained away by the ex-communists' enmity towards the new democratic power and by their irritation caused by the loss of their influence, if not for one more aspect of the conflict.

40 minutes to the border

I've heard many times sorrowful statements that the FEZ dosn't work, that its concept is far from perfect, that many of its provisions are not duly elaborated. Perhaps, this is true as long as one looks at the situation from the studies of the Red House (before WWII this building was occupied by the Ministry of Finance of East Prussia, later by the Regional CPSU Committee and now by the local administration and the Regional Soviet). But, judging by the business bustle on the border, in the port and at container terminals, by the endless overt and secret negotiations with foreign guests and by the intensity with which new luxurious mansions are popping up on the sea shore, the FEZ has been long and effectively functioning, inspite of the absence of customs and tax privileges and laws on the legal status of foreign capital, in spite of the unsolved problems of privatization. Of course, there are many businessmen here who are ready to take risks. Great is also the contribution by the "amber mafia" which has long been living by the laws of the free market economy. Besides, local experts affirm that Kaliningrad has become an important shipment point for the narcotics business and occupies third place in the former USSR as to drugs turnover, after Odessa and Nikolayev. There are also some new items of West-oriented illegal trade: rare-earth metals and red murcury.

Trade in Kaliningrad amber is a profitable business

It's rumoured that the "Party money" has been long and successfully used in the Kaliningrad Region thanks to it being a calm and remote place. It's difficult to substantiate this version with facts. Big money doesn't tolerate outspokenness, nevertheless I happened to meet an "informed person."

I entered his study after a group of excited people had left it – the visitors got the appointment for a new director of a commercial firm approved. The "informed person" didn't want me to mention his name, position nor sphere of activity.

This is what he told me: "The masters of the region are not only in Kaliningrad, but also in Moscow. Kaliningrad is a unique place – it takes you 40 minutes to reach the Polish border, and 4 to 6 hours to reach Berlin. One can always come to terms with frontier guards – they are also human. They stop and search only lonely venturers, in order to scare them off. And the major struggle between the Regional Soviet and the administration is not for political power in the region, but for the redistribution of the state property which formerly was controlled by communists alone. Because if the FEZ starts working, all of them will find themselves in equal conditions. And for the time being all advantages are with those who possess the starting capital, even if it belonged to the Party..."

The regional newspaper *Yantarny Bereg* (The Amber Coast) has published a list of 70 people who, in the opinion of the paper, control real power in the region. The list includes directors of joint ventures and foreign trade companies, higher-ups in city and district administration, high-ranking functionaries of local administration. All of them have been party functionaries in the city and in the region.

In their tactical struggle with Yuri Matochkin's adherents they resort to ungentlemanly means, inclusive of using the age-long Russian inclination to Germanophobia.

Did Stalin and Churchill agree to give Prussia back to Germans?

Three years ago I chanced to come across this phenomenon in the Saratov Region where Party and Soviet functionaries fostered hatred among the local population for Russian Germans who wanted to restore their autonomous republic on the Volga, as well as for Germany.

Now I saw something of the sort in Kaliningrad. Somebody circulated among the deputies of the Regional Soviet a "short-hand report" of Yuri Matochkin's speech in Germany. They tried to impute to him the plans to resettle 200 thousand Russian Germans in the region, and to the head of the city's administration, V. Shipov, the proposal to create a Prussian-Russian republic.

The cathederal is still in ruins. The Kaliningraders hope Germans will restore it

Rumours circulate in the city and the region about the buying up of land by Germans and their laying claims on their former houses, about the expiration of an agreement between Stalin and Churchill in 1995 when the region will be returned back to Germany.

Somebody has brought the roumours to Moscow. My colleagues from a Russian TV office showed me a video record of Ruslan Khasbulatov's visit to Kaliningrad. The camera recorded the protocol handshaking between the Speaker and the Chairman of the Regional Soviet, former First Secretary of the Regional CPSU Committee Yuri Semyonov. This was followed by Ruslan Khasbulatov's threats: "I don't like countless visits by your leaders to a certain powerful country. You must attract politically neutral capital... They are secretly acting in such a way as to strengthen the position of one European country... I know what I'm talking about."

In fact, of late there have appeared many Germans in the city and in the region. Elderly people with video and photo cameras walk along the streets of

Exit Vladimir Lenin, the symbol of the imperishability of the new Soviet order in the former East Prussia after the war...

their youth (maybe, for the last time in their lives), look for the homes of their forefathers, make friends with their new inhabitants, invite them to visit Germany. However, hardly anyone of them would dare settle here.

Early last autumn Frau Juckel arrived in a small town Neman (former Ragnit) on the Lithuanian border with a DM 500,000 worth consignment of humanitarian aid. She also brought Mercedes cars for the local first-aid service and disposable syringes for the local hospital. She rented a patch of land, found contractors and began building a dacha. Neman is a small town and living conditions are far from excellent there, yet Frau Juckel wanted to go there in the future. However, nothing came of it. The vigilant staffers of the Prosecutor's Office found out that foreigners can only build a "light structure," and not a real house. The resolution about leasing the land was cancelled without warning Frau Juckel about it, and when the dacha was completed, it was decided that the city would confiscate it. It's rumoured that this decision proceded from Chairman of the Regional Soviet Semyonov who decided "not to create precedents." There have been no precedents ever since.

The unsinkable aircraft carrier: a bluff?

"After the Baltic republics left the Union, we lost 12 ports," the military told me. "Kaliningrad remains the only unfreezing Russian port in the Baltic Sea." They are sure that military threat still exists.

In 1990 the USSR Defence Minister Dmitry Yazov, now a prisoner, sent the Mayor of the city a telegram which read: "The opening of Kaliningrad in the period of the creation of a unitary German state will doubtless promote an escalation of revanchism in the FRG and GDR and whip up emotions around 'former German lands,' and in the future it may result in creating a hotbed of tension near the USSR's western borders and in the destabilization of the situation in Europe."

In August 1992 Navy Commander-in-Chief Admiral Vladimir Chernavin, having visited the Baltic Fleet, made the following warning: "A military threat still remains, in spite of all ascertions to the contrary. Given the disintegration of the USSR and the escalation of tension in various regions of the CIS, it may be even stated that the threat has increased."

All the more so that, as it has turned out, the unsinkable aircraft carrier – the Kaliningrad Region has always been believed to be – no longer exists.

Colonel Arkady Samoilov, the Assistant Commander of the 11th Army deployed here disclosed terrible figures to me. The 11th Army numbers only 15 thousand people instead of the 250 to 350 thousand which was their norm. No better is the situation with the Fleet. The head of the Baltic Fleet press centre Second Captain Yuri Golovin told me that diesel submarines with nuclear torpedoes and long-range aviation carrying nukes have been removed from the Fleet without replacement; that the only rocket-armed cruiser *Grozny* is laid up and the cruiser *Oktyabrskaya Revolutsiya* dismantled; 22 out of 30 submarines are outdated; the number of fregates and destroyers has deminished; the entire Baltic Fleet now numbers 11,000 officers and about 30,000 sailors plus up to 3,500 marines.

But much more numerous are those who not only don't fear a return to the past but are even ready to welcome it. They quickly understood that one deutschmark can be exchanged for 140 rubles and that the Germans are strange people who are ready to shower money on those who promise to help preserve that little bit which has remained of old times. There have emerged pro-German societies Preussen, and Deutschland hier. The first Russian-German newspaper *Königsberger Kurier* began to come out. Right besides the monument to Immanuel Kant newly molded thanks to the efforts by Countess Marion von Doenhoff there is the constant hustle and bustle of amber trading. The public opinion poll by the newspaper *Nablyudatel* (Observer) showed that 57 percent of the city residents favoured the return of the original name, Königsberg, to the city.

Enter Immanuel Kant. The monument to the great philosopher who was born in Königsberg, which disappeared after the war without leaving a trace, has been restored on donations by German burghers

The chorus of money-grubbers more and more rises above the voices of those who are ready to restore cathederals, monuments and the very memory of bygone generations not for the sake of money and publicity, but for the sake of historical justice. But while amber diggers are working in the amber quarry and the "gold of the Party" is laundered in sea ports, Königsberg is no more than the trademark of the same old Kaliningrad.

Konstantin Isakov,
NT special correspondent
KALININGRAD–MOSCOW

Alla the artist

If a person needs an icon, she'll unhesitatingly present it to him

In this tiny room of a five-storey walk-up, one feels as if in a monastic cell, what with its newly painted icons disposed along the walls, some varnished, others waxed. Seated at the worktable with numerous brushes and paints is a miniature lady, one Alla Alimova, an icon painter of the 1990s.

Alla is an excellent artist. Having learned the restorer's craft, she analyzed the medieval Russian icon and relearned the forgotten technique. She follows the tradition but introduces an innovative aspect, meanwhile adhering to the colour range and to the emotional charge characteristic of the canon.

At a time when everything religious was suppressed, when all who tried to promote religious literature or paint icons were repressed, to dedicate oneself to this occupation implied the courageous voluntary acceptance of life on the borderline of poverty. Yet Alla could not act otherwise, an inner voice telling her that this was her mission in life.

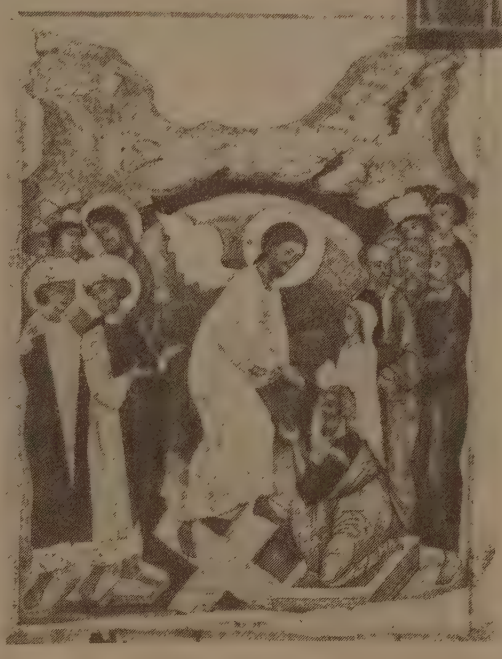
At the age of 19, this girl who hailed from a village near Tambov, found herself in the St. Sergius monastery in what was then called Zagorsk. The radiance emanating from the faces of the saints depicted on the icons that she saw there transformed her from a once convinced YCLer into a devoutly religious person, who subsequently never once veered from the path chosen. What also helped was that she mingled with young icon painters and restorers then completely divorced from the then official Soviet culture. "At the time we were all misfits," she says, implying the material side. However, that was the culture of poverty where any brain-wave was possible.

Herself she is unassuming as regards material wants. She has never reneged on her principles, demonstrating a very high standard as regards everything commissioned, whether for the Church, a foreigner, or Russian traders. One finds it hard to imagine that for some 30 years she had to conceal her occupation even from friends. However, to work from nine to six at an atelier where told when to perform the assignment and how was alien to her. She declined offers to serve as art editor for the publishing house of the Moscow Patriarchy under Arch-Bishop Pitirim, preferring to retain her independence. She survived by earning a meagerly pittance at a boring job for the Medical Publishers, which left her enough time to do what she really wanted.

To live for the sake of her art was her metier, in which she was supported by several remarkable people, such as the late Father Alexander Menh, as well as her spiritual mentor Andrei, a writer and translator of religious literature. In fact, to keep her going, Father Menh commissioned work from her when she was a yet 23-year-old nobody.

She found it grievous to deal with ignorant priests on whom she had to depend. One such churchman haggled with her, wanting a complete iconostasis. "What could I do," she says, "when the Russian Church could not pay the proper price, while few priests could appreciate the beauty of the icon." However, she needed the money, as she had a little boy to bring up. Still whenever she realized one or another person really stood in need of an icon, she would unhesitatingly present it as a gift, because she knew that it would bring a joy.

The Holy Mother of God



The descent of Jesus Christ into hell

Today Alla wonders how to really cope with the alternative of a profitable commission and the realization that the icon must belong to the Church. As regards present-day reality, she says:

"Today many speak of higher living standards and want comfort and money. Only few realize that the basic thing in life is to have that inner spirit which we really need to get back on our feet again and feel that we are real people."

Stanislav Rodzinsky

In the opinion of his colleagues **Oleg Uralov** is a tough man, even extremely tough. He sticks to his views regardless of the stature of his interlocutors and circumstances, does not listen to what others advise him and does not allow them to interfere in his creative work.

Oleg studied at the Moscow Aviation Institute, but became a producer of documentary films. At first, he made entertaining musical films. His first film in this genre investigated Zionism. However, critics think it is quite a "moderate" picture, and the producer kept within the limits of propriety.

After Yuri Andropov's death Uralov decided to produce a film about the deceased. Later he would say that he took a fancy to the individual contrary to sound logic and did not regret it for a moment. Indeed, there was nothing to be sorry about. Shortly after the documentary about Andropov Oleg Uralov was appointed head of the film studio, and some time later he took the post of deputy chairman of the State Committee for Cinema. Uralov set up and led the Videofilm association.

M.S. A private view of a President's life – a documentary-essay about Mikhail Sergeyevich Gorbachev – completely revealed Uralov's creative credo. He was shooting the film for several years, following the President like a shadow, even during his visits abroad. Therefore, it was not easy to ask Uralov why he was in no hurry to complete the film. He insisted, though, that he was working for history and "was not yet fully ready to establish an objective truth in the cutting room."

The documentary was finished after Gorbachev had ceased to be President of the USSR. Uralov admitted that he was unable to fully show the man of interest to him. The ex-President hid behind his family, the only thing he was able to preserve. He did not allow cameramen to shoot in his flat. Oleg Uralov is probably right in one thing: "Time is needed to assess Gorbachev as a phenomenon. For most of his compatriots he still remains unknown."

Mark Massarsky's "expansionism"

President of the International Association of Factory Managers, member of the Council for Entrepreneurship under the Russian President. Chairman of a similar council at the Moscow mayor's office, one of the leaders of the Moscow Commodity Exchange, chairman of the joint-stock companies Volkhov and Russian Gold – these are far from all posts and titles held by **Mark Massarsky,** a grandson of a dispossessed peasant who had been labelled a kulak, and a former Young Communist League organizer expelled from the league when he was in the fourth course at Moscow University's faculty of philosophy. Massarsky was expelled for his support of Ernst Neizvestny and other modernist artists who had been slammed by Nikita Khrushchev.

There were many other significant pages in Massarsky's life before he became an entrepreneur. He worked as a loader on the construction site of the Bratsk hydroelectric power station, put on his own programme on Khabarovsk television, completed a post-graduate course at Rostov-on-Don University, defended his Candidate of Science thesis on the subject, "The concept of personality in the philosophy of Jean-Paul Sartre" at the same university, and was on the editorial staff of the journal *Young Communist* in Moscow. From Moscow he went to far away Kolyma to the Pechora group of gold-prospectors led by famous Russian entrepreneur Vadim Tumanov.

"Some people express themselves by bringing up children, others by being property owners, and still others by writing books or inventing new engineering concepts," Massarsky says. "I want to leave behind a business which my son can inherit. For me property is an instrument of freedom, a means of gaining indepndence. If you like, it is a manifestation of my expansionism which prevented me at one time from remaining a respectable philosopher, brought me to journalism, made me a gold prospector and then a builder."

Massarsky's "expansionsim" impelled him to work out, jointly with his colleagues, a national programme of private house-building which became known as "Your Home." This programme, approved by the Russian government, envisages the construction of a million cottages, or 70 million square metres of dwelling in the next ten years.

Vast funds will naturally be required for construction on such a wide scale. Bonds to the sum of five billion rubles are to be issued with a circulation period of not more than five years. The sums to be received from the sale of these bonds will form the basis for banking operations which are expected to ensure the payment of no less than a 20 percent interest rate and the crediting of individual housing construction on favourable terms.

The "Your Home" programme is to be launched in Novgorod Region, where the joint-stock company Volkhov is situated. Quite recently it was a construction and road-building cooperative, and today it is a consortium headed by Mark Massarsky. Designs for future cottages have a garage and full amenities.

"A new Russian citizen will be born when, as distinct from a worker who has nothing to lose but his chains, he becomes the owner of his own house," Massarsky says, and adds: "The US economy has been formed by an automobile, and the Russian economy will be transformed by a private home."

Sazhy Umalatova, 39, was elected Chairman of the Supreme Soviet of the USSR at an emergency meeting of people's deputies of the USSR held at the Vorononovo state farm near Moscow. Recently she paid an unofficial visit of friendship to Iraq. For this purpose Sazhy left her three-room flat on the Rublevskoye Drive for several days, from which the local authorities have been unsuccessfully trying to evict her for half a year now, and her husband Said, who recently returned from a long business mission to China.

It was not Sazhy's first trip to Iraq. She visited that country for the first time in March of last year together with her like-minded associates from the Soyuz (Union) group. Confident that "newspapers and TV lie," she decided to see everything with her own eyes. Sazhy returned from her first trip impressed by "the heroism of the Iraqi people in the struggle against the US aggressors."

Nothing is known about the reasons of Sazhy's second visit to Iraq.

■■■

Russia has always attracted **Paul Shapiro,** an American. He even studied at the Russian department of Columbia University. The department was later renamed Harriman Institute. His years of study fell at the time of the stormy sixties and seventies, when the United States was involved in the Vietnam war. Young Americans were dissatisfied with their government. Paul took part in many demonstrations. One of their slogans was "Never trust anyone over 30." It was a popular phrase among the "protesting generation."

Paul is now over 40. He studied at Moscow University and taught at American universities. Two years ago fate shone on him in the form of an invitation from Tatiana Yurovskaya, director of the Soviet-Anglo-American school Marina. She offered Paul to become her deputy.

In September, a third academic year began at this school. British, American and Russian teachers conduct lessons in literature, English and history, including the history of religion, for children aged 6 to 18. The programme includes

economics and international business, sexual education, "singing and music. Teachers from the United States and Britain work under contracts. They are graduates of Yale, Harvard, Berkley and other famous universities. The school has a good library of textbooks and instructional aids from American and British schools.

The programme of studies includes exchanges with pupils from schools and colleges in the United States and Western Europe. There's already a twin school programme.

Paul believes that work of this kind is his calling. He runs around the school like crazy – always busy with something. Compared with American wages, however, his salary is rather modest. The school is being expanded this year, and a new building is needed for class space. The administration hopes to receive aid from sponsors and the city government. Marina is ready to undergo a transformation into a full-scale academic programme school where all subjects required for Russian and American secondary schools will be studied in full according to the best Russian and foreign methods.

"We are against financial speculation"

According to the most reliable estimates by sociologists, the effectiveness of the work of any organization depends by half on the qualifications, energy and creative thinking of its directors. The International Fund of Assistance to Privatization and Foreign Investment (Interprivatization) is an obviously prospering organization thanks largely to these factors. Owing to the initiative, dynamism and business acumen of its directors, Interprivatization has been able, since last October, to enlist the support of 30 financial giants of the West and Russia, such as Deutsche Bank, Rothschild and the All-Russia Exchange Bank, and more than 100 leading concerns and enterprises.

An immense contribution to the work of the fund is made by its vice-president **Anatoly Lukashov.** He is a chemical engineer by specialty, a graduate of an institute in Leningrad, now St. Petersburg. Lukashov has covered the path from an operator at a chemical plant to chief engineer of a large enterprise of the same type. Later, he worked as deputy minister in the petrochemical industry and, before appointment as vice-president of Interprivatization, he was chairman of the State Planning Committee of the USSR.

"We are against financial speculation and seek to invest money in production where it is most needed today," Lukashov formulates his credo. "On this we base our reputation, and success in the long run."

A space happening

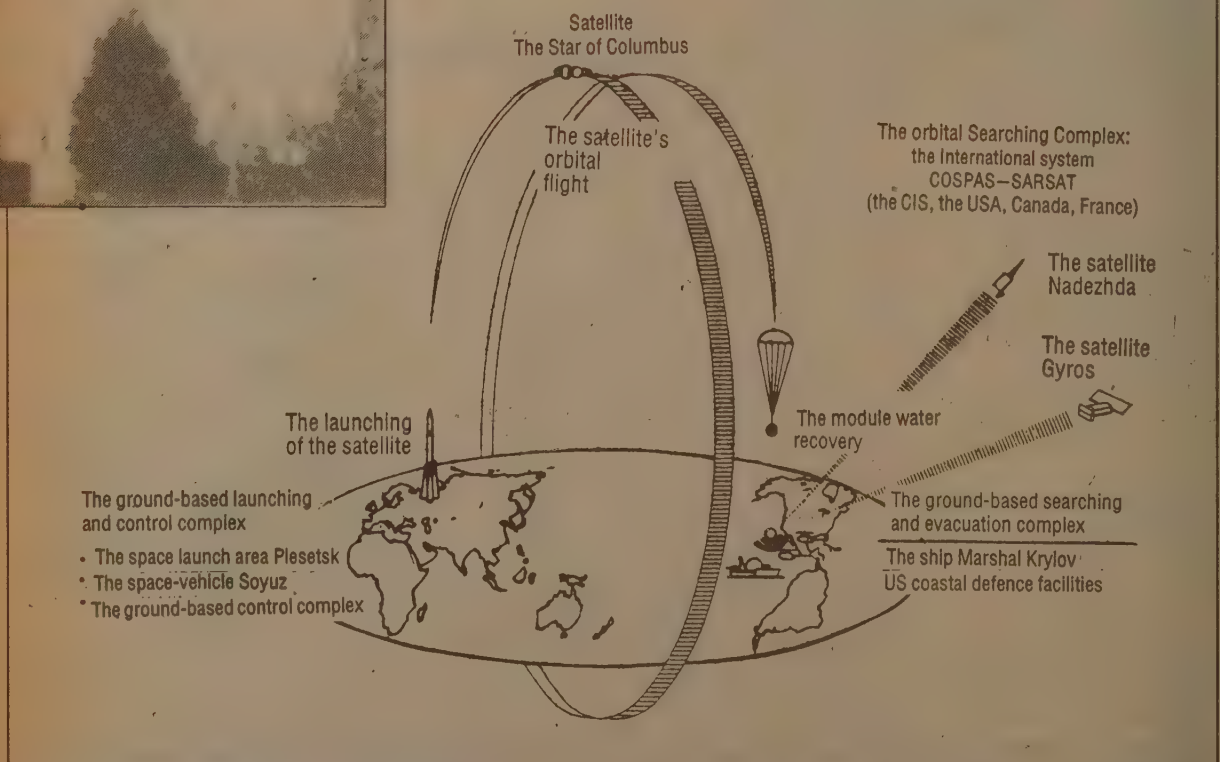
Is the idea that has obsessed businessmen sufficiently crazy? It seems so...

American "spy" sattellites registered that a gigantic Soyuz booster rocket launched from the military launching site Plesetsk had put into orbit a large space object. Further surveilance showed that a smaller object which detached from it was rapidly descending in the region of Seattle. The radar screens impassionately confirmed that the inevitable was to happen...

A scenario for the beginning of the Third World War? Not at all, just a crazy idea.

So crazy that Bob Walsh became its ardent advocate in a matter of five minutes after it was disclosed by its adherents from Russia. Bob Walsh was not in his best possible state at the moment – he was ill, running a high fever. His ill-wishers said that the crazy idea was accepted because of that. However, the head of the firm Bob Walsh and Associates is used to unorthodox ideas, for a few years ago he managed to brilliantly organize the Goodwill Games in Seattle.

Everything about it is illogical. There are problems everywhere – price hikes, shortages of food, unemployment, etc., etc. And on top of it, the idea of launching a rocket to America – sheer crankiness! However, loonies have done much for humankind (although humankind hasn't grown less suspicious of them). This time the first in the sequence of loonies was Alexander Bazlov, a designer of the already closed Central Special Designing Office in Samara. The author of the idea who created Dmitry Kozlov's famous space vehicles can't be suspected of light-mindedness. The idea was registered at the Foundation for Social Investigations whose boss Gennady Alferenko


Satellite
The Star of Columbus
The satellite's orbital flight
The orbital Searching Complex: the International system COSPAS–SARSAT (the CIS, the USA, Canada, France)
The satellite Nadezhda
The satellite Gyros
The launching of the satellite
The module water recovery
The ground-based launching and control complex
• The space launch area Plesetsk
• The space-vehicle Soyuz
• The ground-based control complex
The ground-based searching and evacuation complex
The ship Marshal Krylov
US coastal defence facilities

For the first time an intercontinental missile will fly from the Russian military launching site "in the wrong direction"

own as the organizer of Boris Yeltsin's visit to America at the time when they wanted to deal only with Mikhail Gorbachev there and when very few supported the idea of the visit even in Moscow.

Surprisingly, quite unexpected people from space units of the Defence Ministry and Navy are among these cranks. Less surprising is the participation in the project of business people: Chairman of the Board of Directors of the joint-stock society Garant Ilya Baskin, Chairman of the board of St.Petersburg Bank Yury Lvov, Director-General of the Centre for International Business Projects Yelena Voldemarova, and others. The participation of business people in all sorts of undertakings has become habitual now.

Anyway, what is it all about? Space units, bankers, captains.

Nothing special, in fact. They have launched Soyuz-type space vehicles a thousand and a half times, why not launch one in a bit different direction, having equipped it with a specially designed sattellite (we'll call it Resource–500) with a parachuted module, a sphere 2.3 metres in diameter. It has good volume allowing to accommodate 19 spacious containers. What these containers are for will be explained a bit later. The parachuted sphere will have to be recovered from the ocean. Not such a pain once the orbital searching complex, the international system COSPAS–SARSAT, sattellites Nadezhda and Gyros, are used, along with the US Coast Defence and the gigantic ship of the Russian Navy, *Marshal Krylov*, weighing 24,000 tons. Properly speaking, the ship is given priority here, because its natural function is to rescue cosmonauts and descent modules in case they alight on water. Krylov is well equipped for that, including a couple of helicopters to be used if the weather dosen't permit to lower a boat to tug the space-apparatus to the ship. The helicopters will deliver the spaceship directly on deck with the help of a cable fixed to it by divers. There is also a special purse net resorted to when the weather is particularly bad.

Well, what's all this for, helicopters, trawls, coastal defence?

As concerns the pomp, it still lies ahead. Celebrations in Seattle which will last for three days will start when the space object is delivered to pier No. 70 in Seattle.

Of course, the half-ton contents will be publicly taken out of the containers, ranging from messages by the leaders of Russia, the EC and other countries, and various associations and organizations (which weigh practically nothing but whose political weight is so great), to samples of products and voluminous desriptions of socially important projects.

But why can't all this be delivered in a usual way, the messages by fax and the parcels by post?

They can, of course, but the effect will be quite different. When such a message descends from God knows where, right from the sky surrounded by flames, it's something very special, and the attitude to the documents having the aura of something extraterrestrial will be different.

As well as to everything that will take place in Seattle where a mighty Russian business force is to land. They have something to offer the Americans and they are ready to establish contacts with them. Well, not establish but rather reestablish, because in bygone times there was the "Russian America" and Russian settlements here. Business and business-like meetings, discussions, symposiums, open expositions are expected to be held, as well as just meetings of people, the luxury of human communication.

But the sacramental question will arise: how much will this happening cost our dear state?

0 rubles and 0 copecks. And as many dollars and cents.

The organizers have requested financial aid from neither the Russian nor the US government. There are wealthy people who don't live by current commercial interests alone, such as the St.Petersburg banker Yury Lvov or the financier Ilya Baskin who understand that money should be also spent on something which doesn't promise returns tomorrow night. The strengthening of ties between business people of the two countries is, first, simply a noble deed and, second, a rewarding one – "the medal will eventually find the hero:" the profit from the future business operations won't miss those who have decided to open their purses today.

But the contributions by sponsors will only partially meet the expenses. Do you remember about the containers inside the module? Those who so wished could place there their "visiting cards" for the corresponding fee: samples of their products and the like. Advertisements could also be placed on the surface of the space-apparatus and everywhere where TV cameras will be – along the entire path the cargo will travel – from the manufacturing of the rocket in the factory Progress in Samara to the moment of the appearance of the spaceship at the exposition in Seattle. The organizers are prepared to deliver the exhibits to the exposition on board *Marshal Krylov* and by cargo planes. So there is enough money so far.

One of the key objectives of the project, which is also one of the reasons why the military eagerly participate in it, is preservation of what is known as the military industrial complex. More precisely, not the complex as such with its insatiable desire to gulp down the best pieces of the budget cake, turning the national welth into mounds of weapons, but its production potential, high technologies and its first-class experts, at least as far as its rocket and spaceship building sector is concerned.

Certainly, the reconversion of the space-oriented industry is implied and non-governmental structures could contribute to it. What prevents businessmen from financing the production of superfine materials on board a spaceship? Why not invest in the space prospecting of natural resources or in topographical survey?

This will give the industry a chance to survive through its not best of times. We'll note in passing that there are certain obstacles on this path. The promotion of our advanced technologists to the world market affects the interests of our Western rivals: our missile carriers are not worse, if not better, than theirs, and the prices are cheaper. Anyway, this kind of competition is preferable to finding out whose missile with a nuclear warhead will reach the enemy quicker.

Well, everything seems clear at last. But why is the project carried out precisely today?

The organizers seem to have answers to all questions. First, this is International Space Year. Second, the 500th anniversary of the discovery of America is celebrated, and the project is called The Space Flight Europe–America 500." Besides, the celebrations are scheduled to coincide with Thanksgiving Day: on the last Thursday of November America commemorates the arrival of the first settlers in Massachusetts. Wouldn't a space happening complement this festive occasion?

Vladimir Zhitomirsky

Don't cherish vain hopes!

The credit of $24 billion the world community is ready to grant Russia is considered very large by the world. The world community believes that it will help Russia stand on her own feet. Of course $24 billion is an enormous credit, only not in the case of Russia! Let's draw up an estimate on how this package will be distributed.

To begin with, $12 billion – half of the credit – should be immediatly crossed out from the total sum. We know from Russian history that half of whatever is brought to this country will be stolen.

So, if we look at the things impartially, we must recognize that the world community is in fact granting Russia only $12 billion. How will this money be distributed?

$2 billion will be spent on creating a Special Purpose Force which will deliver to the consumer the remaining $10 billion.

$1 billion will have to be spent on the equipment for this Special Purpose Force which will deliver $9 billion to the consumer.

Further:

$1 billion will be spent on organizing a special commission which will see to it that the Special Purpose Force do deliver $8 billion to the consumer.

$2 billion will be allocated for the banquet on the occasion of the successfully organized delivery of $6 billion to the consumer.

Half a billion dollars will go on the hangover from the banquet arranged on the occasion of the successfully organized delivery of $5.5 billion to the consumer.

Another half a billion will be consumed in the search for a consumer who will assume the responsibility for the distribution of the credit of $5 billion.

Now these $5 billion will have to be divided by two, because half of it will be embezzled by the consumer himself. So eventually $2.5 billion will be left for the revival of Russia.

Out of that, $1.5 billion will be spent on the all-around replacing of state symbols in Russia, the renaming of streets and cities, dismantling of monuments and memorial plaques and on replacement of the hammer and the sickle by the new Russian emblem, a two-headed eagle in felt peasant boots.

So only $1 billion remains.

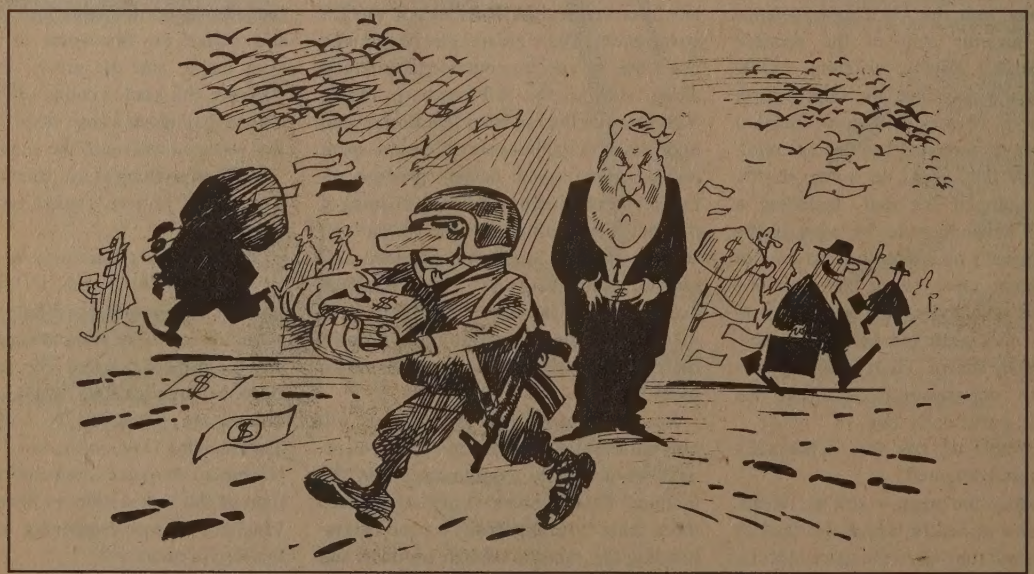
However, forthcoming are:

The trial of the CPSU; a referendum on the necessity of holding this referendum; the organizing of custom houses and checkpoints on the borders with the specially friendly CIS countries; the organizing of a special tax service, because the taxes paid by the population are not enough to maintain service which supervises the process of payment; the manufactuing of special uniforms for this special tax service; the organizing of a special commission to supervise the special tax service; the manufacturing of special uniforms for the special commission which will supervise the activity of the special service, and the manufacturing of clothes for those ho manufacture them...

And then there will be a new congress, new elections, a new president and the trial of the ex-president, a new replacement of state symbols, the dismantling of monuments and memorial plaques, the sewing of uniforms for the special commission for removing memorial plaques, a banquet with hangovers after the memorial plaques are removed, and the sewing of uniforms to be worn at the banquet with hangovers, on the occasion of the removal of memorial plaques...

Will the $1 billion the world community is going to extend us be enough to meet all these expenses? Isn't it wiser to spend the money at once on visits by our leaders to Western countries where they can request that Russia be granted a truly adequate amount of credit!

Mikhail Zadornov



Drawing by Vladimir Mochalov

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